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ABSTRACT

Constituting an update to a previous publication that interpreted the directions of United States manpower policy subsequent to World War II, this publication places the previous essay in the historical context of manpower policies that reach back to the Great Depression of the 1930's and the Employment Act of 1946; and to policy options now before the nation for coping with an unprecedented deep and nagging recession with the accompany inflation. The result is an overview of four decades of manpower policy in terms of the issues to which the policy has been addressed. Seven chapters focus on the following areas: the origins of Federal manpower policies; a new manpower policy; Federal Government responsibility; equal opportunity and the War on Poverty; two appraisals of the Johnson years; the Nixon administration; a comprehensive manpower revenue-sharing program; and, massive unemployment: a new manpower challenge. A table providing statistics on enrollment opportunities, first-time enrollments, and Federal obligations for work and training programs administered by the Department of Labor by program for fiscal years 1963-1974 is provided in the appendix. (Author/AM)

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MANPOWER POLICIES AND PROGRAMS

A Review, 1935-75

By

EWAN CLAGUE

In Collaboration With

LEO KRAMER

January 1976

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Dr. Clague's major professional career has been in government—10 years as a bureau director in the Social Secuirty Administration, 1936–46; and nearly 20 years as Commissioner of Labor Statistics, 1946–65. Since 1969 he has been a senior associate of Kramer Associates, Inc.

In the early 1930's Dr. Clague produced two books: with E. Wight Bakke, *After the Shutdown* (Yale University Press); with Webster Powell, *Ten Thousand Out of Work* (University of Pennsylvania Press). During his 30 years in the federal government, he published many articles and addresses on employment, unemployment. cost of living, wages, productivity, and other subjects. Since his retirement from government service in 1966, he has been the author or coauthor of several books: *The Bureau of Labor Statistics; An All-Volunteer Army, 1970–80; The Older Worker and the Union; The Health-Impaired Miner Under the Black Lung Legislation* (all published by Praeger).

In 1958 Dr. Clague was honored by the National Civil Service League for his work in government. He is represented in *Who's Who in America*, as well as in several subsidiary publications; also in the *British Dictionary of International Biography.*

Leo Kramer, president of Kramer Associates, Inc., and chairman of Leo Kramer International Ltd., has achieved international recognition for his work in manpower problems, labor relations, and public administration.

After receiving his A.B. degree in economics at Harvard in 1948, Mr. Kramer was appointed senior research associate in the Graduate School of Public Administration there. Later he was appointed a member of the Senior Common Room and worked at Nuffield College, Oxford. For 15 years he was an official of a national union, serving as an assistant to the presidents of two unions. He had experience in government in the Executive Office of the President.

In 1967, he organized his own consulting and operations research firm, which has conducted research on manpower and management problems in the United States and abroad. The firm specializes in using multidisciplinary

methods to find practical solutions to questions for which there are no self-evident solutions. Its clients include federal, state and local government in the United States; foreign governments; unions; private business concerns; and religious and charitable organizations. A number of its reports have been published as books.

In the international field, Mr. Kramer recently organized in England an international conference on Britian's Industrial Future, attended by 60 multi-national senior officials, union leaders, and government officials, including cabinet ministers.

FOREWORD

This publication was initially conceived as a project to update *The Mission of Manpower Policy*, written by the late E. Wight Bakke, Sterling Professor of Economics at Yale University, and published by the W. E. Upjohn Institute in 1969. That publication admirably interpreted the directions of United States manpower policy subsequent to World War II. Bakke's central theme was that while the focus upon the disadvantaged worker had been an essential feature of manpower policy, it fell far short of constituting the whole of manpower policy; and he skillfully set forth the larger dimensions of a comprehensive manpower policy.

Bakke's essay remains an important contribution to the manpower field, and for that reason the Institute felt that his study could be brought up to date by the principal author of this publication, Ewan Clague. These two men shared views, dating back to the time when Bakke as a graduate student collaborated with Dr. Clague on a study of unemployment. Dr. Clague, who served as Commissioner of Labor Statistics during 1946–65, is highly regarded by researchers and practitioners in the manpower field, and he has from time to time provided wise counsel and guidance to the Upjohn Institute.

As might have been expected, Dr. Clague has done more than update Bakke's earlier essay. He has placed it in the historical context of manpower policies that reach back to the Great Depression of the 1930's and the Employment Act of 1946; and to policy options now before the nation to cope with an unprecedented deep and nagging recession with simultaneous inflation. The result is a deftly portrayed overview of four decades of manpower policy in terms of the issues to which the policy has been addressed. The unfinished tasks of manpower policy emerge, therefore, with unusual clarity and insight.

The Institute expresses its gratitude to Leo Kramer of Kramer Associates, Inc., of which Dr. Clague is a senior associate. Mr. Kramer's experience as researcher and adviser for two labor unions and as head of the consulting firm that bears his name more than qualify him for this collaborative work with Dr. Clague.

Finally, the Institute acknowledges gratefully the research assistance provided for this study by Larry Bowers. No account with the sweep of this

kind of study could be done without the careful and painstaking effort of digging and verifying the abundance of factual material which the study contains.

Ben S. Stephansky
Associate Director

Washington, D.C.
December 1975

PREFACE

For the past decade we at Kramer Associates have been engaged in studying and reporting on the nation's manpower problems as they have affected economic and social policies in the United States. Such studies have usually been limited and specific, focusing upon a particular problem and developing some solutions for it. However, from time to time we have been given the opportunity to express our judgment on the broader issues of the economy as a whole and on the national policies which are required to deal with such issues. This research study for the Upjohn Institute represents one of those opportunities.

Manpower planning in free societies was practically nonexistent prior to the Great Depression of the 1930's. Remedial measures, such as protection for ill or aged workers, were established in Germany in the closing decades of the 19th century. Limited insurance protection for unemployment began in England in the early years of this century. But positive action by government in the United States to provide leadership and direction for the effective utilization of the nation's labor force developed only after World War II.

The contrast between the bitter unemployment of the 1930's and the nearly "full employment" of the 1940's made an indelible impression upon the public mind in the United States as well as in other nations. Furthermore, the postwar quarter-century of relative success in maintaining high employment in the world's industrialized nations tended to confirm the idea that the battle had been won; all that was needed was some improvements around the edges.

But the shocks to the various national economies in the 1970's have drastically altered the outlook for the future. Official projections in the United States point to recession levels of unemployment for at least several years to come. Some private forecasters predict relatively high levels for the remainder of the decade.

Underlying all concerns about the future is worry about the conflict between price stability and unemployment. Is continuing inflation the only road to full employment? Must a nation choose between the two?

The purpose of our study for the Upjohn Institute is to reexamine these fundamental problems in the light of recent developments in the United States economy and to propose a reconsideration of the nation's manpower programs.

The statements of fact and the views expressed in this study are the sole responsibility of the authors; they do not necessarily represent positions of the W. E. Upjohn Institute for Employment Research.

Leo Kramer

Washington, D.C.
January 1976

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I. THE ORIGINS OF FEDERAL MANPOWER POLICIES

It was not until this count y was faced with the Great Depression that the federal government became significantly involved with the development of employment, unemployment, and training programs to assist the labor force of the nation. Up to that time it had provided some financial aid for vocational education, and to a limited extent it had monitored the apprenticeship program in the skilled trades. Public relief for the unemployed before the 1930's had been administered by private welfare organizations and local government, with occasional state government support. Thus, the federal government's assistance to the unemployed prior to the Great Depression was negligible.

Post-World War I to Post-World War II

The first faint beginnings of significant manpower planning by the federal government occurred in 1921–22. Following the end of World War I in 1918, there was a brief postwar inflation, which collapsed in the short, but sharp business recession of 1921. To deal with that recession, a preside ntial commission, composed of management, labor, and public representatives, was established under the chairmanship of Secretary of Commerce Herbert Hoover.

Since there were no unemployment statistics for the United States economy at that time, one of the first acts of the Hoover Commission was to estimate the volume of unemployment in the winter of 1921–22; this was accomplished by taking a vote. A majority of commission members voted that there were 5,000,000 unemployed at that moment in time, and that became the accepted figure.

With respect to solving this massive unemployment problem, the commission's primary recommendation was that the federal government develop a reserve shelf of public works projects. These projects could be lifted out and put into operation at the first definite signs of a business recession. The theory was that such action would provide employment, arrest the business decline, and maintain a stable economy. However, by the time the commission report was published, a brisk business recovery was underway, and there seemed to be no need to implement its recommendations. The report was filed as a possible blueprint for action on some future occasion.

In 1924 and 1927 there were moderate recessions, but the subsequent recoveries were impressive. At the peak of the boom in 1929 the stock market reached the highest level in its history to that time. Some economic thinkers began to forecast permanent prosperity.

The next shock to the economy came in the autumn of 1929 with the collapse of the stock market. Business declined and unemployment, which increased sharply, was further accentuated by its usual seasonal upturn during the winter months. Early in 1930 the Hoover Administration called upon private businesses, especially those involved in manufacturing and public utilities, to implement their expansion programs, with special reference to capital facilities. Pledges came in from businesses promising to go forward. The federal government, however, took no action—presumably on the theory that private action would be sufficient, as it had been in 1924 and 1927.

There was a mild business revival in the spring of 1930, and the stock market made up some of its losses. The upturn, however, was shortlived; by midsummer business began experiencing a steep decline. By the end of the year a major recession had developed.

Some members of the 1921–22 Hoover Commission made a visit to the White House to urge that their recommendation for a public works program to stimulate the economy and combat unemployment be adopted by the federal government. The economic situation seemed to them to be exactly that which had been envisioned by the commission in the winter of 1921–22. President Hoover, however, took the position that it was not the right time to embark on a federal public works program. On the contrary, he favored a policy of economy in government and a return to a balanced federal budget. No action on a public works program was taken at that time.

It is not clear from the records why the President took that position. One likely reason is that the Administration was then forecasting a business revival in the spring of 1931; in other words, public works would be too late to arrest the business downturn and would get underway just in time to compete with private business for labor and materials in the coming business revival. Unfortunately, the forecast was wrong. Business continued to slump for the next two years. Some economists began questioning whether there was any way to stop the long downward spiral.

At that time there was no unemployment insurance system in operation (although Wisconsin was in the process of developing a state system). Therefore, the early burden of dealing with unemployment and with families living in poverty fell first upon private welfare agencies and emergency relief organizations which were created to meet local needs. However, the problem became much too big to be managed by private giving. Local governments found themselves overwhelmed by relief loads that exceeded all previous experience.

By 1932, the burden of public assistance was being shifted to the state governments, but they in turn found the job too overwhelming. Some states had constitutional provisions which did not allow them to assume any debt. Other states were limited by the level of debt that they could assume and were already so overloaded with existing debt that they had no borrowing power left. Most state governments were unable to assume the responsibility of taking care of those families that were in need of public assistance.

In the early months of 1933 commercial banks began to close; by March 4 the entire banking system had shut down. The first priority of the incoming Roosevelt Administration was to enable the banks to reopen.

Immediately after dealing with that crisis, the Administration had to take prompt action to alleviate unemployment and poverty. Since Congress was prepared to go along with whatever the Administration proposed, legislation was quickly enacted. In March 1933 the Civilian Conservation Corps (CCC), the first federally sponsored and administered work-relief and work-training program, was inaugurated. This program established more than 1,500 camps and enrolled unmarried men 18–25 years of age to work on conservation and construction projects planned by the Departments of Agriculture and Interior. The technical work was directed by experts in the various government agencies, and order was maintained in the camps by Army officers.

This experiment was one of the most successful of all the New Deal ventures. The young men, no matter how urban their background, entered into the work with enthusiasm and efficiency. The CCC became the model for subsequent work programs for young people which have been undertaken from time to time in the public assistance field. Furthermore, the achievements of the CCC from 1933 to 1942 constitute a landmark in the conservation movement in the United States.

In May 1933 Congress established the Federal Emergency Relief Administration (FERA), which began to channel federal financial aid into state and local governments. The federal government thus became deeply involved in the welfare system. For two years, between 1933 and 1935, FERA struggled with the financial, organizational, and administrative problems of the public welfare system, including unemployment relief. Long-range planning was instituted in the form of a Presidential Committee on Economic Security, which undertook to develop programs for the aged, the needy, and the unemployed. The committee report recommended permanent programs of old-age benefits, unemployment insurance, and public assistance, supported by federal aid to states and localities.

On the basis of the committee's recommendations, and without waiting for the inauguration of the new programs, the Administration made a fundamental policy decision, namely, that the genuinely unemployed would be fully accepted as the responsibility of the federal government, but that all the other welfare problems would be returned to state and local governments. Work programs would be established for a wide variety of public service activities to which the able-bodied unemployed would be assigned pending their absorption into regular jobs in the private economy or in the government—federal, state, or local. The Works Progress Administration—later renamed Work Projects Administration (WPA)—was established in 1935 to administer this "make-work" program.

The decision to create the WPA was of far-reaching importance, not only for solving the immediate and urgent unemployment problems of the economy but also for utilizing manpower in the future. As of that moment in time the federal government assumed nationwide responsibility for the alleviation of unemployment; it began to foster job creation, training for jobs, economic stability, and all the other requirements of what later came to be termed *full employment.* It initially found that some states were already operating work programs. These programs were relatively easy to review and reinstate under WPA auspices. However, the WPA, which promised at the outset of the program to absorb all the unemployed on the state and local welfare rolls, found that there were more unemployed than could possibly be absorbed by the projects set up to employ them. The result was that the payrolls were initially filled with unemployed who sometimes had no work or no tools with which to work. In the beginning the WPA generated a public image of excessive numbers doing unnecessary work; but as the projects were improved and diversified, the agency became recognized as a national asset. Public parks were developed, schools were built, guidebooks were written, manpower studies were conducted, and other public services were performed. The sharp business recession of 1938, following a good business recovery in 1936–37, demonstrated anew the need for such a program.

It was at this point in time that unemployment insurance became the first line of defense against unemployment. The state of Wisconsin had pioneered (1932–34) in establishing a state system of unemployment insurance, which triggered and to a certain extent governed the federal-state system recommended by the Presidential Committee on Economic Security and adopted by the Congress in 1935. Wisconsin began operating and many other states joined the system at the first legislative opportunity, so that when benefits became payable in 1938 most of the country was covered. A few states held out for a time, and the last state did not come aboard until 1939.

In the meantime the pension systems of various railroad companies had collapsed under the burdens of the depression, and Congress took that industry in hand for special legislation on a national scale. In 1935 Congress established a Railroad Retirement system which covered all railroad workers in the country, including those who had not previously been covered under a railroad pension plan. At the same time Congress set up a separate railroad unemployment insurance system which operated independently of the overall federal-state system.

The introduction of unemployment insurance payments to unemployed workers required a decision as to the relationship of those programs to the WPA. The decision was that the insured unemployed would be required first to use their insurance benefits, and would be eligible for work programs only when those benefits were exhausted. The uninsured unemployed were eligible immediately—or after the inevitable time required to process the applications for WPA work. The result was that unemployment insurance absorbed a substantial fraction of the burdens which the WPA would have had to bear during the rather sharp business recession of 1938.

One of the significant achievements of the WPA was the creation of the sample survey of the unemployed. In order to budget for the full volume of unemployed who needed jobs, WPA Director Harry Hopkins required an up-to-date measure to guide him. At that time there were no up-to-date statistics on unemployment. There were a number of professional estimates, but the only official figures were those obtained in the Census of 1930, which were out of date by the time they were published. The research staff of the WPA drew up a plan for a quarterly survey of a sample of the United States population designed to produce some reasonably current data on unemployment.

When the WPA was abolished one year after the United States entered World War II, that quarterly statistical survey program was transferred to the Bureau of the Census, where it became known as the Current Population Survey. In the postwar period those data, which were later reported on a monthly basis, served as the foundation for the nation's *full employment* policy. The sample was enlarged and the methodology was improved in the 1950's; in 1959 a cooperative program was established, with the Census performing the collection and tabulation of the data, and the Bureau of Labor Statistics analyzing the data and producing the monthly reports. This survey, devised by the WPA, has since become one of the most important policymaking statistics in the American economy.

The Post-World War II Era

When World War II ended suddenly in August 1945, there was widespread alarm about the possibility of a massive unemployment problem—"ten million out of work" was the threat. To prevent such a disaster, Congress enacted the Employment Act of 1946, which provided guidance to the President and the Congress in devising policies to combat unemployment.

The Employment Act, which established the Council of Economic Advisers, was clearly an alternative to a renewed WPA program. It is highly probable that, if there had been in 1946–47 a major postwar recession with fearful unemployment (say, 10 percent), there would have been a demand for the revival of WPA. But the expected postwar recession never materialized. One year's emergency unemployment benefits took care of the returning war veterans. The federal-state and railroad unemployment insurance systems were loaded with reserves in anticipation of a postwar business recession and were able to meet all the needs of the covered unemployed. An inflationary business expansion in 1947–48 absorbed the civilian unemployed laid off by the sharp decline in war industries. A minor postwar recession occurred in 1948–49, and for a year or more there was some public alarm about unemployment. However, the Korean War, which began in 1950, brought labor scarcity and a reduction to 3 percent unemployment by 1952. The "high-employment" policy for the private economy was vindicated.

However, that policy and its monitors, the Council of Economic Advisers, encountered a political problem. The first council, under Dr. Edwin Nourse, established the principle that they were to be advisers to the President, who would in turn be responsible for inaugurating and defending the Administration's economic policies. Dr. Nourse took the position that he should not disclose, even to the Congress, the advice that the council was giving to the President.

But when Dr. Nourse retired and Leon Keyserling became chairman of the council, a new policy was adopted. The council would not only advise the President but also interpret the economic situation for the Joint Economic Committee of the Congress, and would eventually become the advocate of the economic policy which the President and his Administration would propose to establish. However, some Members of Congress, especially those on the appropriations committees, were dissatisfied with the policies advocated and adopted by the President. So when the election of President Eisenhower brought in Republican majorities in Congress, the House Appropriations Committee cut the "Gordian Knot" by eliminating the council's appropriation. The council members and their staff were phased out of their jobs.

The time of that action was April 1953. In that same month peace was achieved in Korea and the postwar adjustment began. By July it was apparent that a business downturn was in prospect, and the Administration immediately became concerned about potential unemployment. The Council of Economic Advisers was revived, new members were appointed, and their staff was put to work. Once again, success! The downturn was quite mild; unemployment was limited to a maximum of 6 percent. By 1955 the economy was experiencing a brisk recovery.

The next challenge came in 1957–58. In trying to balance the budget, the Administration cut back on military spending. The result was a deep, prolonged downturn. Then, when recovery got underway in 1959, there was a long steel strike which caused substantial unemployment in related industries and created fear about the future of economic growth. The business revival faltered by the summer of 1960, and another downturn came in 1961.

The Automation Scare

One factor which contributed to the increasing national concern about unemployment was the specter of *automation.* In the early post-World War II period (1947) Professor Norbert Wiener of the Massachusetts Institute of Technology published a book on *Cybernetics,* in which he called attention to the effect of the new technological advances which had come as a byproduct of the war. His theory was that machines would displace labor at an unprecedented rate, and that in 20 years—by about 1967—the nation could expect the unemployment of many millions of superfluous unskilled workers.

The outbreak of the Korean War, the success of the Marshall Plan in Western Europe, and the postwar business recovery of 1955–56 contributed to the maintenance of "high employment"; and Professor Wiener's unemployment projections attracted little public attention.

However, the sluggish economy of 1957–60, with persisting high levels of unemployment, again brought the Wiener hypothesis into the limelight. The expansion of computers resulted in concern about the future of clerical jobs; books on *automation* were being published. Labor union leaders in some industries became alarmed about the possible impact of the spread of automated operations on their membership. There was deep concern not only about the loss of jobs but also about the loss of skills—automated jobs were highly mechanized and often required only an intermediate level of skills. There were strong demands for an improved unemployment insurance program with extended benefits and for policies to stimulate the economy and create jobs.

The Election of 1960

The unemployment problem flared up as an issue in the election of 1960. As a result of a series of curious incidents, unemployment was brought to the peak of public attention just when the voters were going to the polls. The first incident occurred in early July when the June unemployment figures were released by the Bureau of Labor Statistics. June is always one of the high unemployment months of the year because some 3,000,000 young people are out of school every spring, most of them looking for temporary or permanent employment. By August most of them find jobs or go on vacation; in September the undergraduates return to school; and October usually sets the lowest unemployment rate of the year.

The June 1960 total unemployment figure of over 5,000,000 attracted more than the usual public attention since symptoms of an approaching business decline began to appear. In order to emphasize the purely seasonal character of the high June figure, Secretary of Labor James Mitchell publicly bet his hat that the figure for October would be below 3,000,000, which would reflect the usual seasonal decline. Without the bet, Secretary Mitchell's forecast would have attracted very little attention; unemployment did in fact go into the usual seasonal decline over the next several months.

But the tension was compounded by another mistake in judgment on the part of the Department of Labor. The normal practice in the department at that time was for the Bureau of Labor Statistics (BLS) to present the unemployment report to the press and the public as early as possible in the following month, usually about the 9th or 10th. With the election on Tuesday, November 7, the issue which loomed ahead was whether a special weekend effort should be made to get the October unemployment report out before the election (which meant Monday, November 6), or whether the usual schedule should be kept. Secretary Mitchell decided that to make a special effort to get out the figures in advance of the election would seem too political; he therefore instructed the BLS to release the data on the regular schedule, which turned out to be Thursday, November 9.

That decision heated up the issue. The October data from the Census Bureau came to the Bureau of Labor Statistics on Friday, November 3. The results were known by top officials of the Labor Department and the Administration; in addition, the transmittal of the information by the Census to the BLS became known to some members of the press and the AFL-CIO. It was not known whether there was any leak of the actual figures, but it made little difference. The fact that the department made no special effort to release the data in time for Tuesday's election was in itself a cause for suspicion. Presi-

dent Meany of the AFL-CIO made a public demand upon the Secretary of Labor to release the actual figures. Throughout the weekend the demand for release was repeated again and again. But the secretary stood by his original decision and took no action.

There is no way of knowing whether this issue influenced the outcome of the election to any significant extent. Undoubtedly, some persons were moved to vote against the Republican Administration on the ground that it was concealing something important. The amazing thing was that the actual October total unemployment figure was 3,150,000—a very minor miss by the secretary. Had he boldly released the figure to the public, the effect would probably have been minimal; the issue would have been defused.

As it was, the issue carried over into the Kennedy Administration. When the new Secretary of Labor, Arthur Goldberg, took over, he promulgated a regulation requiring the Bureau of Labor Statistics to set release dates for the unemployment reports a year in advance. That schedule was administered so effectively by the BLS that during the next four years there was only one occasion when the date was not met, and that was a delay of one day because of a machine breakdown.

II. A NEW MANPOWER POLICY: FEDERAL GOVERNMENT RESPONSIBILITY

The Kennedy Administration would have proposed manpower program changes in any event, but the electiontime controversy over the unemployment statistics gave impetus to the drive for early action. At the very outset of his administration of the Department of Labor, Secretary Arthur Goldberg established a new Office of Manpower, Automation, and Training (OMAT), which was empowered to analyze the nation's manpower problems with the objective of developing new legislation.

Senator Paul Douglas of Illinois had been sponsoring a bill on area redevelopment since 1955, but the Eisenhower Administration had consistently opposed any attempts by the federal government to stimulate economic growth in depressed areas for the purpose of increasing employment opportunities. With the support of the new Kennedy Administration and with strong sentiment in the Congress in favor of the senator's idea, the Area Redevelopment Act (ARA) was passed in 1961. Despite the fact that the development of comprehensive manpower proposals would take a considerable amount of time, passage of this Act presented opportunities for immediate action.

Area Redevelopment Program

The Area Redevelopment Act was designed to stimulate economic growth in areas that were experiencing high unemployment. The program offered four incentives to companies and to communities that were interested in redevelopment efforts.[1] The most important of these incentives was the provision of loans to companies that were interested in the relocation or the expansion of industrial facilities in economically depressed areas.

The second incentive was the provision of financial aid to local jurisdictions for the purpose of making public improvements that were required for the establishment of manufacturing and commercial firms in the area. In support of this provision of the ARA, Congress passed additional legislation, the Public Works Acceleration Act (1962) to provide funds to localities for the development of public facilities. This Act provided $900 million for public works projects in areas that were experiencing continued substantial unemployment.

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1. *Manpower Report of the President, 1963*, p. xvii.

The third incentive included in the ARA was support for the provision of technical assistance to firms in the development of new products, new markets, and new resources.

The fourth incentive was assurance that a qualified, skilled labor force would be available to those businesses which were willing to accept the risks of plant expansion or relocation. The manpower training programs which were developed under the ARA were similar to the basic vocational education programs that have characterized the federal manpower effort since the beginning of World War II.

The administration of this program was divided between the Departments of Commerce and Labor. Commerce had responsibility for loans and technical assistance to employers and for financial aid to communities. The Labor Department was responsible for the manpower training programs.

The Area Redevelopment Act was expected to be a contributing factor in achieving the full employment goal of the Kennedy and Johnson Administrations. The underlying theory was that one prerequisite for attaining full employment was to stimulate the economy and that another was to "improve the functioning of the labor market and the quality and adaptability of the labor force."[2] An expanding economy would increase the demand for labor and provide additional opportunities for the labor force. Bottlenecks in the labor market could be alleviated by training employees in the growth areas of the economy. The ARA attempted to deal with both of these aspects of promoting full employment.

ARA's tasks were arduous. Since the United States economy had not fully recovered from the 1958 recession and the subsequent 1961 downturn, the incentives offered to private industry and local communities were not capable of stimulating economic growth in the underdeveloped areas of the country. ARA experienced the basic difficulties confronting any remedial economic program which focuses mainly on the submarginal activities of the economy. Program administrators found that private business firms were more interested in moving into areas where the economy was growing than into depressed localities. In the former, a firm would be running with the tide; in the latter, against it. The private firms were to assume all the risks of failure if they moved into a depressed area. What they needed was substantial coverage of risks through assured government subsidies.

The manpower aspect of the program also had its drawbacks. In a community which has been sinking into a recession over a period of years, the most

2. Ibid., p. xii.

enterprising workers, generally including most of the younger ones, will already have left the area. Those remaining are likely to be (1) the unskilled and the disadvantaged and (2) the older workers whose occupational skills relate most directly to the industries which have closed down. From the point of view of an incoming business firm, the remaining workers lack the skills required and are not likely to be readily trainable or retrainable.

It must be noted that the scope of the Area Redevelopment Act was too narrow to have a substantial impact on the national unemployment problem. In the first year of ARA's operations (fiscal year 1962) there were only 8,600 first-time enrollments in the manpower training components of the program. In the three succeeding years enrollment continued to be low, ranging from 10,000 to 12,000. The program was phased out in 1965.

In summary, the ARA program lacked the necessary ingredients to allow it more than very limited success.

Manpower Development and Training Act Program

During its second year in office, the Kennedy Administration presented to the Congress a far more comprehensive manpower program designed to improve the employability of the labor force. This legislation, the Manpower Development and Training Act (1962), and its amendments embody two concepts: (1) the need to retrain skilled workers who have been displaced by automation and (2) the need for education and training of the unskilled unemployed to enable them to obtain and hold jobs. The 1962 Act, which emphasized retraining, included a number of innovations in national manpower policy that significantly broadened the scope of previous legislation. The most important feature was the availability of federal assistance to any geographic area in the nation. The focus of the Manpower Development and Training Act (MDTA) was exclusively on training the labor force. Through the exercise of fiscal and monetary policy changes, the Kennedy Administration attempted to stimulate the demand for newly trained workers.

Sar Levitan and Garth Mangum have outlined what they considered to be four basic objectives of the Manpower Development and Training Act.[3]

1. To meet labor shortage needs in specific industries.
2. To provide employment opportunities for the unemployed.
3. To upgrade the labor force.
4. To provide an escape from poverty.

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3. *Federal Training and Work Programs in the Sixties* (Ann Arbor, Mich.: Institute of Labor and Industrial Relations, University of Michigan-Wayne State University, 1969), p. 23.

The objectives of both the MDTA program and the ARA program emphasized a harsh reality of educational and vocational training programs—they had not yet developed skills in the work force appropriate to meet the needs of the rapidly changing technology in the United States.[4] Sponsors of MDTA underscored the fact that, although overall unemployment was at a comparatively high level, there were many localities and industries in need of skilled personnel, including those in the professional, scientific, technical, and apprentice categories.

The major emphasis of MDTA was on unemployment resulting from automation and technological change; in other words, the structural changes in employment opportunities. The concept was that there existed a continuous process whereby certain skills were being rendered obsolete as a consequence of the many significant technological advances being made throughout industry in the United States. During the early days of program implementation, eligibility for admission to training was restricted to unemployed heads of households who had at least three years of work experience. Thus, new entrants and young workers were excluded from the program. By design, MDTA was mainly a *retraining* program for experienced workers.

The second objective of MDTA was to locate jobs for as many of the unemployed as possible, but the third and fourth objectives—to upgrade the labor force and to provide an escape from poverty—were intertwined with it. In trying to implement these objectives, administrators and their agencies were confronted with a dilemma in providing assistance to the hard-core unemployed. As a general rule, placing the better qualified among the unemployed in job openings is much easier. The key goal of job-placement agencies (in this case the state agency counterparts of the U.S. Employment Service) was to provide the best man or woman for each job opening. The difficult consequence to resolve was that such a policy would do very little for the less qualified—the hard-to-place. What could be done for them?

After the MDTA program had been in operation for some months, it became clearly evident that nearly all training and placement opportunities were going to the best prospects—to those who were the most highly qualified. In an effort to overcome this situation and maintain a reasonable balance among various qualification levels of the unemployed, the rule was established that approximately one-third of the job placements had to come from the bottom of the list (in terms of ability to perform), leaving two-thirds of the openings

4. Garth Mangum, *The Emergence of Manpower Policy* (New York, N.Y.: Holt, Rinehart & Winston, Inc., 1969), p. 30.

for the better qualified. The administrative problem confronting the manpower officials was obvious—the disadvantaged unemployed produced a much lower success ratio with regard to completion of training and placement in jobs, and they needed much more help than the better qualified persons. Historically, in this country every effort to help the disadvantaged find jobs has caused this dilemma to surface.

A component of MDTA was on-the-job training—training programs for unemployed and underemployed workers who could be placed in jobs and trained while they worked. Grants were made available to private social-action organizations enabling them to identify and develop job opportunities with private businesses willing to hire unskilled disadvantaged workers and to provide them with on-the-job training which would help to make them capable of remaining employed.

Subsidies were made available to the employing firms to cover their additional costs for hiring inexperienced and disadvantaged workers instead of the experienced and better qualified who would normally be hired for the positions. The objective was to enlist the cooperation of employers in hiring and training the less qualified workers for permanent full-time jobs.

From the outset this program had only limited success. About 2,000 persons were enrolled in the first year and 9,000 in the second. This was in part attributable to the high unemployment level in the economy. In fiscal 1965 there were only 11,600 trainees. But with the major expansion of the war in Vietnam in 1966 this program received a degree of support from both government and business which converted it into a major manpower program. In the last year of the Johnson Administration (1968) it had an enrollment of 125,000.

The Institutional program of MDTA expanded much faster. This involved the educational institutions and the local community agencies which undertook training and retraining programs. In its first year of operation (fiscal 1963) there were 32,000 enrollments. The number more than doubled in the next year and then doubled again in 1965. In 1966 the enrollment reached a peak of 177,500, after which there was a moderate decline as on-the-job training expanded. There was a substantial shift from local community agencies to private industry. This shift reflected the program objective of getting the unemployed into private industry employment.

Other Programs

During the Kennedy Administration there were several smaller manpower programs funded and administered by government agencies other than the

Department of Labor. The Bureau of Indian Affairs in the Department of the Interior inaugurated a number of manpower training programs on Indian reservations. The Community Work and Training program, established in 1962 under Title IV of the Social Security Act, and administered by the Department of Health, Education, and Welfare, was another program; it was designed for those public assistance families that had an employable person who could be trained and placed on a job which would enable the family to become more self-supporting. The numbers of first-time enrollments in these two programs was small in the early years, amounting to 16,000–20,000 in 1963 and 1964.

There were other important pieces of legislation enacted during the early years of the Kennedy-Johnson Administrations which, while only indirectly connected with manpower, had some manpower impact. One of these was the Trade Expansion Act of 1962, which assisted those workers who could show that their jobs had been lost because of increased imports resulting from United States tariff concessions. There were three types of benefits: (1) retraining allowances, (2) income maintenance, and (3) funds for relocation. This program did not reach significant magnitude because (a) it was difficult to demonstrate who was actually affected and (b) the trade expansion program of the United States had been benefiting total employment, not reducing the number of jobs.

Conclusion

After more than three years of effort, from January 1961 through June 1964, the Kennedy-Johnson Administrations had barely made a beginning in tackling the manpower problems of the nation. Unemployment averaged about 4,000,000 annually through the calendar years 1962–64 (only a modest reduction from the 4,700,000 in 1961), and all of the federally sponsored manpower programs together reached only a little more than 100,000 workers a year.

In the mid-1960's, with the civil rights movement mushrooming, and the welfare rolls expanding, the unemployed became restive. Women workers, blacks, and the young all continued to experience high unemployment rates despite the continuing improvements in the economy.

With those developments as a background, President Johnson gave his leadership to the Equal Opportunity Program and the War on Poverty.

III. EQUAL OPPORTUNITY AND THE WAR ON POVERTY

Large numbers of people remained unemployed in 1964 in spite of the fact that the federal government had established and financed a number of important manpower programs during the prior three years. The unemployment rate declined slightly during 1962–63; this decline may be attributed primarily to national economic expansion. The beneficiaries of expanding employment opportunities were workers who had had substantial work experience and were unemployed for relatively short periods during the economic slowdown. In other words, the cyclical unemployed, the workers who occasionally experienced unemployment, were going back to work. Meanwhile, the unemployment rate of the disadvantaged and hard-to-employ members of the labor force—mostly minorities, youths, and the uneducated—remained at the pre-MDTA high levels.

Because of the persistent high level of unemployment among these groups and the serious unrest in metropolitan areas, changes in federal manpower policy were imperative. The Johnson Administration with its goal of a Great Society launched the War on Poverty during 1964 in an attempt to combat the problems of the nation's indigent, particularly minorities and youths. A major objective of this change in government policy was to help the most disadvantaged achieve employability and obtain jobs that would provide them with a level of income which would make possible a decent lifestyle for the wage earners and their families.

The thesis of the antipoverty program supporters was that the major employment problems of the disadvantaged stemmed primarily from their own limitations as workers. Since many of the disadvantaged lacked prior experience in a structured working environment, social services (in addition to placement) were needed to make these individuals capable of obtaining a job, retaining it, and eventually competing for higher paying positions which would enable them to improve their standard of living. The designers of this comprehensive antipoverty program thus agreed that it was essential for the federal government to provide the full range of services necessary to improve the employability of the poor. These services included remedial education, vocational training, work experience, and counseling. This combination of services was expected to help convert the hard-to-employ into self-supporting wage earners.

Legislation

The manpower programs enacted up to 1964, including MDTA, assisted primarily those unemployed persons who were the most qualified and most ex-

perienced; they failed to address sufficiently the critical problems of the long-term indigent and the hard-to-employ. Upgrading the labor force and providing an escape from poverty were the goals first emphasized when the Johnson Administration proposed its War on Poverty legislation. Those programs that had been in operation prior to 1964 were reviewed and readjusted for the purpose of adapting them to the needs of the disadvantaged. For example, a series of legislative amendments were adopted between 1963 and 1966 to expand the scope of the MDTA program. The revised MDTA training programs were to be divided between (a) training for labor-shortage occupations and (b) training specifically tailored to the needs of the disadvantaged. Beginning in fiscal 1967, 25 percent of the enrollees had to be disadvantaged youths, 40 percent had to be disadvantaged adults, and 35 percent had to be trained in occupations where skilled manpower was in short supply. On-the-job training became strongly emphasized at this time. Other amendments to MDTA included: (1) extending the maximum length allowed for the training period so that occupations requiring more extensive training could be included; (2) increasing the emphasis on remedial education; (3) increasing trainees' compensation allowances to $10 above the unemployment insurance allowance in the various states; and (4) establishing local advisory boards.

The most important manpower legislation enacted during the War on Poverty years was the Economic Opportunity Act (EOA) of 1964. This Act was designed specifically to provide the funds necessary to develop programs that would help the disadvantaged overcome their employment problems. The early programs under this Act included Community Action Program, Job Corps, Neighborhood Youth Corps, Operation Mainstream, Adult Basic Education, and the Work Experience Program. As so often happens with legislation, the final product is the result of much previous thinking and discussion in various congressional committees. The antipoverty youth manpower legislation (Job Corps and Neighborhood Youth Corps) incorporated much of Senator Hubert Humphrey's previously proposed Youth Employment Act, which had been stalled in Congress since 1959.

Amendments to EOA in 1966 and 1967 increased the number of federal manpower development and training programs as well as the types of distinct target populations which would be assisted by them. These new programs included New Careers, Special Impact, and the Concentrated Employment Program. In 1967 amendments to MDTA and to the Social Security Act created other new programs having somewhat different objectives and target groups. The remainder of this chapter will briefly discuss the major programs that were launched during President Johnson's elected administration, as a part of his War on Poverty. The present status of these programs will be discussed in a later chapter.

Programs for Youths

The youth unemployment problem in the United States was one of the major concerns of the sponsors and supporters of the Economic Opportunity Act. The persistence of excessively high youth unemployment and school dropout rates underscored the urgent need for strengthened federal efforts to aid and motivate young people to complete high school and obtain the training that they needed to become self-supporting. The government's two main programs for the training and employment of youths were the Neighborhood Youth Corps and the Job Corps.

Neighborhood Youth Corps

The Neighborhood Youth Corps (NYC), a work-training program for youths 16–21 years of age, was established in 1965 with two major objectives: to increase the employability of youths and to reduce school dropout rates. NYC consisted of three separate components: in-school, out-of-school, and summer programs. The *in-school program* was designed to make it easier for many youths (who were inclined to drop out) to stay in school by offering them financial assistance through part-time employment. The *out-of-school program* provided paid work experience, remedial education, and supportive services to youths who had already dropped out. The program improved the ability of these youths to compete in the job market; it also encouraged them to return to school. The *summer program* offered full-time work experience for youths during the vacation period.

The Neighborhood Youth Corps literally exploded in numbers. In the first year (1965) it had an enrollment of almost 137,900, which tripled in 1966 and reached a peak of 556,300 first-time enrollments in 1967, after which it fluctuated at around 500,000 in the next three years. NYC became the largest of the federally assisted programs in terms of number of enrollees. Furthermore, because some 25–30 percent of the enrollees were part-time workers, and because few services were provided to these enrollees, the cost per enrollee was lower than for other manpower programs.

Job Corps

The Job Corps, which began in 1965, is a residential program offering disadvantaged youths basic education, vocational training, counseling, and (in some cases) work experience. The target population of the program is the economically deprived 16–21 year-olds who have the least education and the fewest vocational skills. The program was established with the specific inten-

tion of removing these young people from home and community environments of poverty on the theory that those environments militated against their becoming productive citizens.

The enrollees are sent to residential centers where they live together and receive education and job training. For youths who have limited education and who lack the basic abilities needed to be trained in crafts, rural conservation centers were designed. The enrollees are provided with rudimentary work skills that enable them to carry out natural resource conservation activities. For youths who have the potential for personal development in a variety of skilled crafts, urban training centers were designed.

Enrollment in the Job Corps program has fluctuated greatly. It began with 12,000 first-time enrollments in 1965, reached its peak of 71,000 in 1967, and dropped to 43,000 in 1970 and again in 1973.

There has been considerable dissatisfaction with the results of the program. From the start the Job Corps encountered many difficulties. The problems included extremely high dropout rates during the first 30 days of enrollment, infractions of rules, hostility from the communities where centers were located, very high operating costs, and limited on-the-job training opportunities. Many of the difficulties were created by sending enrollees to training sites far from their homes in isolated (often rural) areas. Some of the training sites were far removed from areas where the enrollees would be seeking jobs. A major problem was that the urgent need of these young people for remedial education was not being effectively met at all the centers.

Programs for Welfare Recipients

When the public assistance program of the Social Security Board was first set up in 1936, the dominant beneficiaries, both in number and in political strength, were those receiving Old-Age Assistance (OAA). The blind beneficiaries were not very numerous, and mothers receiving aid for dependent children were generally only those not qualified to work in an industrial or commercial job. The labor scarcity which developed in World War II, and again during the Korean War, gave women unusual job opportunities, so that the program of Aid to Dependent Children (ADC)—later renamed Aid to Families with Dependent Children (AFDC)—continued to be rather insignificant.

The Old-Age Benefit (OAB) program, enacted in 1935 and operational in 1937, was designed to provide benefits to retired workers who qualified on the basis of their employment records. Today this program is known as the Old-Age, Survivors, Disability, and Health Insurance (OASDHI) program.

In those early years the benefits payable under this program were not high enough to insure against the needs of retired individuals or couples. Even in the late 1950's and early 1960's as many as one-seventh of the old-age insurance beneficiaries were also drawing old-age assistance based on need.

In the early 1960's the recipients of Aid to Families with Dependent Children (AFDC) began to increase significantly. But, with unemployment rates of 5.5 to 6.0 percent, this expansion did not cause much concern—it could be attributed to unemployment.

However, as employment expanded in 1965 and succeeding years, coupled with declining unemployment rates to 4.5 percent in 1965 and 3.8 percent in 1966 and 1967, questions were raised about the fact that AFDC client loads were still growing rapidly. Statistics show that in June 1964 there were 1,014,000 families with 3,160,000 children drawing payments under the AFDC program; three years later, in June 1967, there were 1,208,000 families with 3,742,000 children. The rapidly improving economic situation was having no effect in halting the steady rise in welfare families.

One factor which was creating this anomaly was the "man-in-the-house" problem. An employable father in a family was expected to be available for work. He was required to register at the local employment office. If he had worked recently and was drawing unemployment benefits, the welfare aid the family would receive (if any) would be only enough to bring the total family income, including the unemployment benefits, up to the local welfare standard, whatever that happened to be. If the father held a job, the family could get aid only if he had a large family with a large welfare budget allowance. An example is the case of a Washington, D.C., father who was trying to support a wife and nine children, but his income (earnings or unemployment benefits) was charged against the family's welfare budget.

The effect of the "man-in-the-house" policy was the creation of an incentive for the father to leave the family. If the father left, the family would be entitled to the maximum welfare amount, and he could continue to earn money on the job. The system encouraged the breaking up of poorer families.

A second factor was also at work undermining the combination of work and welfare. Many women in poor families supplemented the family income by domestic service, often part-time or occasional work. In this case also the family's welfare grant was reduced by the mother's earnings, so that in effect she was working for nothing. The result was a large-scale withdrawal from the labor market by AFDC mothers. It was this development which led to congressional hearings and the passage of the 1967 amendments to the Social Se-

curity Act to correct this situation (see Work Incentive Program in a subsequent section).

Community Work and Training Program

One of the earliest attempts to deal with the work-welfare problem was a 1962 amendment to the Social Security Act establishing the Community Work and Training (CWT) Program, which was an experimental effort administered by the Welfare Administration. The program was designed to increase the employability of unemployed AFDC recipients by offering them work experience which would help to develop the positive work habits and attitudes that were required to obtain permanent employment. The purpose of the CWT program was to reduce public criticism of the AFDC program by providing training for the unemployed AFDC recipients over 18 years of age. Welfare recipients would "work off" their public assistance payments and at the same time increase their employability. The number of participants in the program ranged from 10,000 to 15,000 during its two years of funding.

Work Experience and Training Program

In 1964 another employment and training program for AFDC recipients, the Work Experience Program, was introduced under Title V of the Economic Opportunity Act and became a part of the War on Poverty. Eligibility under this program was extended to all persons who met the technical requirements and were eligible for public assistance. In 1966 the name of the program was changed to Work Experience and Training Program.

Section 501 of the EOA stated that the purpose of this program was to "expand the opportunities for constructive work experience and other needed training available to persons who are unable to support or care for their families." One of the major objectives of program proponents was to reduce the welfare rolls by preparing welfare recipients for unsubsidized employment.

In fiscal 1965 the first-time enrollments of the program totaled 88,700; in the following year there was a drop of only 4,000. However, there was another 7,600 loss in the Work Experience and Training Program enrollment in fiscal 1967, followed by a sharp drop to 27,600 in 1968, which was less than one-third of the 1965 peak.

The problem was that the ability of the program to train these individuals and prepare them for meaningful employment in private industry was limited. Concentration was placed on work experience, not on training. The goal of economic independence was not achievable without program administrators

devoting special attention to education, developmental work experience, and skill training in occupations for which jobs really existed in the labor market.

Work Incentive Program

Congress began to react more forcibly to the dilemma of work and welfare and the increasing AFDC rolls. That reaction took form in the 1967 amendments to the Social Security Act which created a new training and job-placement program for AFDC recipients. It is called the Work Incentive Program (WIN). These amendments required mothers with children, none of whom were under the age of six, to register at the local employment office and to be available for work or training. It was recognized that women with younger children should remain at home by their own choice. It was also provided that the minimum age of eligibility for work or training be reduced from 18 years to 16.

The announced purpose of the WIN program, which evolved out of five previous years of experience with training and placement programs for AFDC recipients, was to bring economic independence to all employable persons over the age of 16 who received public assistance. However, the ultimate objective of program supporters was to reduce the number of welfare recipients and the amount of federal funds being spent to support these families.

The WIN program emphasized the importance of jointly directing manpower and social welfare services toward a common goal. It was felt that, in order for the adult AFDC recipient to achieve economic self-sufficiency, job-training and placement services were not enough. Emphasis had to be placed on instilling better work habits. This was of course a prominent objective of all manpower programs designed for the disadvantaged. However, it seemed that there was more chance for success in meeting these objectives through work-experience programs than through classroom training and instruction.

It was necessary to provide other social services to these individuals such as medical examinations; remedial medical services; and instruction in home management, housing improvement, and family planning if they were to achieve self-support. Even more important, before enrollees could commit themselves to a job they would need to be provided with adequate free child-care services until it was economically feasible for them to arrange for these services on their own, as well as transportation services to and from the job sites.

The WIN program was designed as a joint effort by the Department of Health, Education, and Welfare (HEW) and the Department of Labor (DOL),

with HEW providing the supportive services and DOL providing the training and placement services. The program did not actually get underway until mid-fiscal 1969. Its impact will be discussed in chapter V.

Programs for the Older Worker, 1966–68

Another category of unemployed, the older worker, was faced with employment problems unique to this age group. There is a widely existing notion that older workers experience higher rates of unemployment than other age groups. The fact is that the unemployment rates for workers 55–64 years of age match very closely the rates for workers in each of the preceding three age classes. Among male workers, both white and black, the unemployment rate for the 55–64 age group comes close to the average for the three younger groups. Among females, white and black, unemployment for the oldest group is usually below the average of the other three.

The facts just cited require further interpretation. First, older workers tend to stick to their jobs. The incentive of full social security benefits plus a possible private industry pension keeps them on the job until retirement age unless they are laid off or become unable to work. The problem is that when they do lose their jobs, for any reason, they generally have a difficult time finding other jobs. Failing to find a job, some take whatever benefits and pensions they have earned and retire from the labor market. This early retirement helps to produce the low unemployment rate for that age group.

The older worker who is laid off operates under a series of handicaps in the search for another job. From the prospective employer's point of view, why was he laid off? Is there something wrong with him? What skills does he have? Often the older worker is unskilled, has had limited job experience, and has little flexibility or adaptability. Also, since the older worker will retire in a few years, he is not a good long-run investment. Furthermore, the prospective employer may be loaded with older workers and may need youths to balance the age of his work force for the sake of long-run continuity, efficiency, and economy.

Because of all the handicaps faced by older workers in seeking employment, the states began to enact legislation prohibiting employers from discriminating against such workers in hiring. In the 1960's the federal government enacted similar legislation. At first, the older workers were treated in a class by themselves. Later, that group became bracketed with minorities, ethnics, and women—all theoretically protected by antidiscrimination laws.

Even though this legislation seemed impressive on the surface, it was mostly window dressing. The harsh fact in most cases was that many unemployed older workers were unskilled, sometimes semiliterate, frequently inflexible, and not very adaptable to new conditions and circumstances. It was evident to placement officers in the Employment Service that, before placements could be made, job training and supportive services were needed to make such individuals employable.

Operation Mainstream

Several small-scale federal programs were developed to meet the needs of the older unemployed workers. The most notable of these programs was Operation Mainstream, which began operations in fiscal 1967. This program was originally designed as a work-experience program to serve exclusively the over-55 age group. Projects were concentrated in small communities and rural areas where resources for manpower activities were few and job opportunities were particularly scarce. The Operation Mainstream program emphasized work experience for the chronically unemployed who lacked skills that were in demand. The ultimate goal was to place the enrollees in unsubsidized jobs. Many of these people had been subsistence farmers; others had been farm or casual laborers all of their lives. These people had little formal education; some could not even write their names.

Operation Mainstream evolved into a public assistance program, attempting to help these people earn enough money to support themselves and their families. But the goal was difficult to attain for several reasons—the legal minimum wage was usually paid; many projects had to be curtailed during the winter months; and participants were allowed to work in the program for only two years. The last restriction meant that the Community Action Agencies (CAA's), which generally sponsored the program, would need to offer placement services or else request the state Employment Service to help in placing their enrollees.

The major problem that confronted program administrators was the fact that few employers were willing to hire people over the age of 55, especially with limited work experience. Placement rates were extremely low during the first few years of program implementation. This led to a change in the program guidelines; the required number of enrollees over the age of 55 was reduced to 40 percent.

Despite these problems, Operation Mainstream projects received widespread acceptance from the beginning, and requests for project funding greatly exceeded the amount of federal funds available for the program.

Enrollment in Operation Mainstream remained at about the 11,000 level during the first four years of program funding (1967–70).

The size of other programs specifically designed for older unemployed workers was limited. The conclusion is inescapable that the resources provided by the federal government to support programs for these persons have been quite limited and that the impact of the programs on the real problems faced by such persons has been minimal.

Government-Industry-Community Partnerships

As the War on Poverty moved to the front lines, the government saw the necessity for increasing its involvement with private industry in order to deal effectively with the manpower needs of the country. A 1966 MDTA amendment, which sharply increased the funding of the on-the-job training (OJT) programs, indicated an ideological shift by the federal government in this direction. During the first four years of MDTA, enrollment in institutional training projects was significantly greater than enrollment in OJT projects. This was because institutional training and vocational education programs had long been the accepted form of federal involvement in manpower training in the United States, while OJT was a newcomer. The 1966 amendment required that at least one-half of all MDTA funding be placed in OJT projects.

Job Opportunities in the Business Sector Program

In a year when the Vietnam War would result in a substantial budgetary deficit (1968), President Johnson authorized the shift of $106 million from existing manpower programs to launch a new MDTA-OJT program called Job Opportunities in the Business Sector (JOBS).

In the *1968 Manpower Report of the President,* JOBS was described as a means to meet employment needs and diminish social unrest in the ghettos. It was built on the experience of MDTA-OJT projects conducted since 1962; a demonstration program sponsored by the Department of Labor in 1967—the Ten Cities Program; and a pilot project. The pilot project was set up in October 1967 with the promise of $45 million of federal funds. Businessmen in five cities were asked to participate in the planning of on-the-job training placements for severely disadvantaged residents. The inducements were a federal commitment to assume up to 100 percent of the added costs and a reduction in red tape, allowing businessmen to make arrangements, through a single office in the Department of Commerce, for all other types of assistance from a variety of agencies. Specifically, the objectives were: (1) to establish plants

and businesses, committed to employment of the disadvantaged, in or near low-income areas; (2) to obtain placement commitments from existing plants in such areas; and (3) to obtain action by private industry (at government expense) to provide technical, managerial, and training assistance to small businesses offering employment opportunities for disadvantaged residents.

There was an important lesson to be learned from this program. On-the-job training of the hard-core unemployed costs much more than for the average trainee in the MDTA program because the task of aiding the most disadvantaged persons to gain needed work skills and to achieve employability is difficult and complex.

In order to enlist the support of the business community in the JOBS program, President Johnson established the National Alliance of Businessmen (NAB). NAB had a national executive board composed of the top executives of some of the country's major companies. NAB, which was charged with encouraging employers to pledge jobs for the program, was organized on a regional and city basis, with offices and personnel contributed largely by industry.

Intensive efforts were made to give cooperating employers all possible technical assistance in developing plans and formal proposals. Companies participating in the JOBS program provided training and employment for chronically unemployed workers and bore only as much of the cost as would be involved in their normal recruitment and training operations. The costs of added training, counseling, transportation, health services, day care for children, and other support necessary to bring workers to a satisfactory level of productivity and to keep them on the job were provided through a contract with the Department of Labor.

There was a strong secondary objective in the OJT program, namely, upgrading disadvantaged workers who obtained employment in low-level unskilled jobs. When unemployment develops, these are the workers first laid off since they are so easily replaced. Moreover, a dead-end job in itself may have no long-run future. Having acquired jobs, the workers sought advancement which promised more security plus higher pay. The program tried to develop "jobs with a future" for workers who could make the grade.

New Careers: Paraprofessionals for Public and Nonprofit Agencies

The New Careers program was initiated in 1969 to prepare disadvantaged adults for paraprofessional jobs in critically undermanned public and non-

profit fields such as health, education, welfare, neighborhood redevelopment, and public safety. Thus, it attempted to achieve two simultaneous objectives: to relieve shortages of professional personnel in human service activities and, in so doing, to offer the disadvantaged opportunities to enter meaningful jobs with career possibilities. To a greater degree than most training programs for the disadvantaged, the New Careers program included classroom training, either before or along with on-the-job training. Opportunities were made available for completion of the equivalent of the 12th grade in high school and for further training at the college level. The nonprofit agencies which provided training under this program guaranteed jobs for enrollees who completed the course.

Specific problems of the New Careers program included (1) the reluctance of employing institutions and professional workers in the human service field to restructure jobs and career hierarchies to allow for the positions of paraprofessionals and (2) rigid state and local civil service or merit system requirements, which create especially difficult situations. Because academic credit was given for training and job experience, colleges and universities made desirable training sites; however, a certain amount of aloofness and resistance on the part of the academic community reduced the effectiveness of the program.

Special Impact Program

The programs for the training, placement, and upgrading of the disadvantaged workers focused upon the worker and his (or her) capabilities and potentialities. But the unemployed were often located in run-down dilapidated neighborhoods which were in urgent need of rehabilitation. The Department of Housing and Urban Development was active in this field.

The Special Impact program, started during the first half of 1968, was designed to generate new opportunities in training, employment, and entrepreneurship within the environment of low-income neighborhoods and communities. Economic, business, and community development were the tools for solving the critical problems of dependency, chronic unemployment, and rising community tensions. Congress made it clear that Special Impact funds were to be concentrated in a small number of projects so that they could have a genuine impact on the neighborhoods involved. This restriction of funding to several projects made program monitoring possible and pointed to the importance of the demonstration aspects of the program.

Inducements were offered to private businesses to establish new facilities in or near problem neighborhoods and to hire and train the unemployed. Any expenses involved in counseling, remedial education, transportation, wages

during classroom training, etc., were covered by a contract agreement with the federal government. The program also offered grants to community development corporations which, in turn, provided financing and technical assistance to businesses owned and operated by residents of the area. These community development corporations sometimes became developers of projects, such as shopping centers, low-cost housing, and light manufacturing businesses.

The objectives of this program can be closely related to the Area Redevelopment Program of 1961. Each of these programs attempted to stimulate the local economy of a depressed area in order to increase employment opportunities and decrease the negative effects of a high rate of unemployment on the community. This new program, however, did not provide the extensive incentives to employers which were involved in the Area Redevelopment Act for the relocation and expansion of their facilities. Since the program was being administered on such a small scale, its impact at the national level was hardly felt. Those local areas receiving Special Impact funds benefited greatly, but the projects were not sustained. The program became overshadowed by the larger community development efforts that were being sponsored by Congress.

Vocational Education and Remedial Education

The federal government has long supported the idea of providing training to those members of the work force who lack adequate education and skills to compete successfully in the labor market. The longest established federal manpower program is vocational education, which was initially funded in 1917. This program, which is offered through the public school system, continues to be the major source of occupational training in the United States. The 1963 Vocational Education Act, along with its later amendments, changed the direction of the program away from the traditional training fields towards the employment needs of an advanced technological society. The purpose of vocational education, as it is structured today, is to strengthen the occupational preparation of young people who do not enroll in college and to reduce the flow of unskilled, ill-prepared youths into the labor market. The Vocational Education Act of 1963 increased the number of persons eligible for enrollment by including persons who have graduated from high school.

A program which has provided unemployed members of the work force occupational training similar to the Vocational Education program is MDTA Institutional. As discussed in chapter II, this program, established in 1962, was the first major manpower program introduced by the federal government since the 1930's. Schools and skill centers provide training in areas where em-

ployment opportunities exist. Many programs have been established by organizations already providing vocational training, such as public school systems. The public Employment Service, the key organization in this program, has had to approve these programs and make referrals to them.

The antipoverty manpower programs were designed to alleviate the many human handicaps that have restrained those in the lower economic stratum from improving their economic positions so that they may begin to attain the level of equal opportunity that has been so frequently talked about by many Americans, yet more often ignored by policymakers. The lack of education is probably the greatest handicap; 1969 Department of Labor statistics estimated that 17 million Americans over the age of 18 had completed less than eight years of education (13 percent of the population in this age range).[1] The correlation between lack of education and poverty is quite evident. Remedial education has therefore become a supportive service critically needed by a significant percentage of the labor force.

The Economic Opportunity Act of 1964 established the Adult Basic Education Program (ABE), which represented the nation's initial effort to remedy such educational deficiencies. It was designed to provide people who have had a minimum of schooling with the basic education that they will need to compete for better paying jobs. ABE is administered by state departments of education and is operated by local public school systems. It often supplements the more limited remedial education programs provided to the enrollees of other manpower programs. Although the efforts of this program have been extensive, the services provided have not been sufficient to overcome quickly the educational deficiencies of as many Americans as was hoped.

The United States prides itself on the educational attainment of its citizens. Yet it has a higher illiteracy rate than many other developed countries, indicating that the educational system is not meeting the needs of those who cannot compete and are in need of special programs to help them develop their basic intelligence and skills. Since our educational facilities and programs have not historically been structured to meet the needs of those with learning disabilities, such men and women are prevented at an early age from competing with their peers. This has been one of the major factors inhibiting the minority groups in our country in their attempts to realize their full potentialities as human beings.

Our public education system is continuing to lose younger Americans who eventually will need ABE assistance. It is necessary for educational adminis-

1. *Manpower Report of the President, 1969*, p. 80.

trators to make major changes in our educational system which will reduce the high dropout rates and will provide all students with the adequate level of education that they will need to help themselves and their families rise from poverty.

The Fragmented Manpower System

The federal effort during the War on Poverty years to provide employment opportunities for the disadvantaged developed into a piecemeal approach, which reflected the divergent needs of the individual groups who were the expected beneficiaries of the new federal manpower policies. New types of manpower programs were formulated to meet these divergent needs and to help alleviate the special employment problems of the various groups, such as youths, the elderly, migrants, blacks, etc. Each of these programs was intended to assist a different target group; each also specified different objectives, had different approaches for solving problems, and emphasized different elements of the total package.

An even more important factor influencing the federal government's piecemeal approach has been the tendency to scatter manpower functions among a number of different departments and agencies, with each agency involved in the distribution of manpower services drawing its authority from a different legislative act, and each act imposing its own conditions on the utilization of funds. Many agencies in implementing their manpower programs have functioned through either state or local grantees, or both. The timing of a grant for one program has seldom been planned to interrelate with that of others—even though the local programs involved might be interrelated and even interdependent. The need for joint governmental action in providing manpower and related services has become obvious, but the inability of the various federal agencies and the different levels of government to coordinate their activities has also become painfully apparent.

There have been literally a dozen or more federal agencies involved in the distribution of manpower services: the Department of Labor, the Office of Economic Opportunity, the Economic Development Administration of the Department of Commerce, the Department of Housing and Urban Development, and three branches of the Department of Health, Education, and Welfare (the Assistance Payments Administration, the Rehabilitation Services Administration, and the Bureau of Adult and Vocational Education of the Office of Education). The Department of Agriculture, in dealing with farmers, has substantial powers with respect to farm labor, despite the fact that the Department of Labor has responsibility for the placement of farm laborers.

The training programs for the rehabilitation of injured workers are administered by the Department of Health, Education, and Welfare in collaboration with a whole set of state agencies. The development of job programs and training programs for blacks was assigned to the Office of Economic Opportunity, which proceeded to establish regional offices and state offices entirely apart from the Department of Labor structure. In brief, as the War on Poverty expanded, the agencies involved in administering its programs proliferated into a complicated administrative maze.

Concentrated Employment Program

The Concentrated Employment Program (CEP), which began operating in the late summer of 1967, is a system for delivering manpower services to the disadvantaged. The ultimate goal is to eliminate competition, overlapping, and duplication of effort that had developed among the various manpower programs as a result of the inefficiencies created by the fragmented manpower delivery system. This goal is to be attained by combining the individual categorical programs that had been operating in a specific target community into a comprehensive system of services, meaning that all manpower programs will be offered through a single local sponsor.

There are four principal objectives of this program, which indicate the types of service that CEP agencies are to provide: (1) to enlist the active support and cooperation of business and labor organizations in local communities; (2) to provide a wide range of counseling, health, education, and training services on an individual basis; (3) to develop employment opportunities suited to each individual in the program; and (4) to provide followup assistance necessary to assure that a job, once obtained, will not quickly be lost.

The first and third objectives were aimed at involving local private employers in the development of more training programs for the disadvantaged. These objectives were unrealistic because CEP was not equipped to offer adequate financial incentives. CEP was actually a delivery system for existing services, rather than a provider of new services.

The prime sponsor, which was usually the local Community Action Agency, provided overall management and coordination of the program; this included development and supervision of subcontracts with other agencies administering various CEP components. The state Employment Service offices furnished certain specific services, such as testing, counseling, referral to training, job placement, and followup. Appropriate community agencies were called upon to provide other needed services. Integration of the manpower services delivery system was the important concept that developed from CEP.

The full range of services was to be made available to participants in all existing manpower programs.

This concept nonetheless proved to be difficult to implement. The rigidity of the manpower services delivery system at the local level made participation by various agencies difficult. The number and variety of agencies which contributed to the CEP program continued to present administrative complexities and to raise politically delicate problems in planning and administration.

IV. THE JOHNSON YEARS: TWO APPRAISALS

Two significant viewpoints about the evolution of federal manpower policies during the Democratic years of the 1960's will be discussed in this chapter in order to summarize where the country was when President Johnson left office. The first is the Administration's viewpoint as expressed in the *1969 Manpower Report of the President*, and the second is the viewpoint expressed by E. Wight Bakke in *The Mission of Manpower Policy*, written for the W. E. Upjohn Institute for Employment Research and published in April 1969. The writing of both reports was done in the closing year of the Johnson Administration.

1969 Manpower Report of the President

Upon leaving the White House on January 19, 1969, President Johnson submitted to his successor the *1969 Manpower Report of the President.* The annual *Manpower Report* had never before been issued so early in the year. It was so done, of course, in order to ensure that the 1969 report would represent the outgoing Administration. Conveniently, it became the vehicle for entering into the public record the objectives, accomplishments, and unfinished business of the Johnson Administration's manpower policy and programs. In the words of the President:

> This report records the Nation's ability and continuing progress to meet one of the most basic needs of its people and represents a valid gauge of the Nation's essential strength. . . . It is a record of promises made, of achievements and of hopes aroused. . . . Although there is ample cause for satisfaction in this report, there is none for complacency. What we have accomplished helps to describe the dimensions of what is still undone.[1]

The theme chosen for the *1969 Manpower Report* by Secretary Willard Wirtz and his Department of Labor was "An Active Manpower Policy—Its Genesis and Implementation." The enunciation of that active policy had been made in the *1964 Manpower Report of the President*, and the 1969 report assessed the manpower record of the 1960's from that point of view.[2] A number of highlights from the 1969 report serve to illustrate the thrust of the Administration's perspective.

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1. *Manpower Report of the President, 1969*, p. ix.
2. Ibid., p. 1.

In appraising the progress which had been made in meeting the nation's manpower needs, the Manpower Administration called attention to the antecedents of the Johnson-era manpower programs. Federal aid began more than a century earlier in the form of educational grants to agricultural colleges (The Morrill Act of 1862).

Subsequent milestones in manpower development, cited in the 1969 report, were:

a. The Smith-Hughes Act of 1917 establishing the federal-state program of vocational education.

b. The federal-state Employment Service system created by the Wagner-Peyser Act in 1933.

c. The Social Security Act of 1935.

d The Fair Labor Standards Act of 1938, covering a national minimum wage and child labor standards.

e. The work programs of the Great Depression—the Civilian Conservation Corps and the National Youth Administration (no mention was made of the Work Projects Administration).

f. The Servicemen's Readjustment Act of 1944, popularly known as the GI Bill of Rights.

g. The Employment Act of 1946, created under the fear of postwar recession.

h. The change in manpower emphasis 1957–58.

Two events brought about the 1957–58 change in emphasis. One was the launching of Sputnik in 1957, which dramatized the urgent need for a highly qualified work force in the United States. This stimulated the passage of the Defense Education Act of 1958. The other event was the business recession of 1957–58, in which unemployment became a major national problem. From the impact of those developments evolved the manpower programs of the federal government in the 1960's.

The *active manpower policy*, as enunciated in the *1964 Manpower Report*, was geared to three fundamental goals:

1. To develop workers' abilities.
2. To create jobs which will make the most of workers' abilities.
3. To match workers and jobs.[3]

3. Ibid., p. 3.

Developing Workers' Abilities

In developing workers' abilities, it was assumed that manpower policy must be concerned not only with occupational training but also with improved education at all levels. In pursuit of that objective the federal government, through the Department of Labor and other agencies, developed a series of occupational training programs.

Over a million unemployed and underemployed workers were enrolled in the Manpower Development and Training Act (MDTA) projects between August 1962 and June 1968. Amendments to MDTA in 1968, extending authority for operating those programs to 1972, gave the states more authority to initiate their own programs and authorized appropriations for new supplemental programs for the disadvantaged. On-the-job training projects (OJT) were expanded rapidly during this period. In fiscal year 1968 nearly half of all MDTA trainees were in OJT projects as compared to 1 in 8 trainees in 1964. A new MDTA-OJT program launched in 1968 was *Job Opportunities in the Business Sector (JOBS)*, which had a goal to assist 100,000 disadvantaged workers in 1969 and a long-range goal to assist 500,000 by June 1971.

For the basic academic skills, there were remedial programs in elementary and secondary education. The most important was the *Adult Basic Education (ABE)* program for people 18 years of age and over. ABE was enacted in 1964 as part of the War on Poverty, and was funded in fiscal 1965, but it did not reach significant proportions until the last year of the Johnson Administration (fiscal 1969).

In higher education, there was a wide range of programs, such as construction and improvement of college facilities, financial aid to students, and provision for fellowships to teachers in poverty areas as a way to upgrade academic standards and teaching skills. Two other federally aided programs were *Upward Bound*, which supported remedial education for 36,000 severely disadvantaged youngsters to help them gain admission to college; and *Talent Search*, which located and motivated students with academic potential to seek admission to college. To help relieve shortages in professional fields, Congress over the years has passed a series of acts establishing programs to train teachers and other school personnel, health personnel, engineers, and scientists, as well as fellowship internship programs in a half-dozen government agencies.

For disabled and handicapped workers, special provisions were enacted to provide them with supportive services that would enable them to improve job skills. Under the *Federal-State Vocational Rehabilitation* program for the handicapped, a new class of handicapped was recognized, namely, those with

employment handicaps as a result of environmental deprivation. The *Concentrated Employment Program (CEP)* was to provide all the services necessary to motivate and enable disadvantaged individuals to seek and hold jobs, and the JOBS program had similar provisions.

Creating Jobs

In its job-creation objectives, the Manpower Administration went far beyond the *maximum employment* specifications of the Employment Act of 1946. It made advances in two main areas: first, in searching out and serving the *discouraged unemployed* who had given up their search for jobs; and second, in improving the quality of jobs available to the disadvantaged in terms of opportunities for advancement and of job security and income.

Economic development programs were created for six multistate regions—Appalachia, Upper Great Lakes, Ozarks, New England, Four Corners, and Coastal Plains. The idea was to provide public facilities and other incentives that would attract private development capital into areas requiring economic stimulus, and thus to create new jobs. Through fiscal 1968, almost $600 million had been appropriated for the Appalachian program.

The *Model Cities* program was another attack upon the social, economic, and physical problems of slum areas. The objective was to turn the areas into model neighborhoods with rehabilitated housing and essential community facilities and services, thereby improving the environment and making it more conducive to economic growth and job creation.

Work-experience and on-the-job training programs sponsored by the federal government also created many jobs for the unemployed and the disadvantaged. The OJT programs usually assured the enrollees full-time employment following completion of training. The work-experience programs, which included Neighborhood Youth Corps, Job Corps, New Careers, and Operation Mainstream, were designed to provide regular jobs for those trainees who successfully completed the training. In fact, this was a pledge which the contracting agencies undertook. In some cases the agencies provided "make-work" jobs if regular jobs were not available. In either case placement services were provided to ensure that opportunities were made available to all those trainees who wished to make use of them.

Under a presidential directive to the secretaries of Labor and Commerce a report was produced (summarized in the *1968 Manpower Report of the President*) showing how federal, state, and local governments could reduce seasonality in the construction industry through their contracting procedures. In re-

sponse to that finding the President issued another directive requesting that federal agencies take the necessary steps to improve regularity of employment in the construction industry.

Matching Workers and Jobs

The need for improved mechanisms for matching workers and jobs was recognized in the formulation of new manpower policy in 1964; it was still a major concern in 1968. The problem was two pronged: (1) a strengthening of job-market mechanisms was needed and (2) barriers to the matching process had to be removed.

The first-named facet of the problem involved a reorientation of the U.S. Employment Service, especially in the local offices. The Service was directed to seek out disadvantaged persons in an active manner and to offer assistance rather than wait for them to come in seeking jobs. Furthermore, the Community Action Agencies would act as prime sponsors of manpower projects in the Concentrated Employment Program, while the Employment Service would deliver manpower services.

To improve the matching process, the 1968 MDTA amendments directed the Secretary of Labor to establish advanced operating procedure, utilizing electronic data-processing and telecommunications systems.

The removal of employment barriers required a variety of remedial services to the disadvantaged; examples are providing federal funded day-care facilities, job training, and transportation for the actual relocation of families.

Some strides were made in modifying discriminatory hiring practices. The success of the National Alliance of Businessmen in supporting the JOBS program, in which employers waived artificial job requirements, was certainly in part responsible. Positive legislative and administrative actions were also taken to eliminate other unfair employment practices resulting in discrimination, such as age requirements, restrictive apprenticeship requirements, restrictive hiring and layoff policies, and sex preference. Job redesign programs were set up in federal agencies to match job requirements to the qualifications of disadvantaged applicants.

Manpower Research and Experimentation

The high status of research was firmly established in the 1962 MDTA legislation, which directed the Secretary of Labor to establish a comprehensive manpower research program. One aspect of that research was to set up special

projects to test new techniques and procedures being used in the manpower training programs.

The results of such research can be found in eight MDTA amendments—three on training allowances, giving greater incentives to disadvantaged workers; one authorizing bonding for persons with arrest records; one for mobility assistance to workers in high unemployment areas; and three for such diverse needs as training projects for prison inmates, health services for trainees, and prevocational orientation. In addition, other results of such research were also evident, such as the launching of an *Apprenticeship Outreach* program that nearly doubled the numbers of black and minority youths in apprenticeship programs.

Other Manpower-Related Efforts

Aside from specific manpower programs, other strides were made to upgrade the lifestyles and working conditions of the labor force. Two of these were the establishment of higher labor standards with regard to wages and hours of work and the new higher safety and health standards in places of employment.

Income maintenance for workers suffering from unemployment or disability was greatly improved through increases in unemployment insurance benefits, and through substantial increases in benefits under the various Social Security programs for the retired and the permanently disabled.

Finally, because the system of public assistance had become "outmoded and in need of major changes," President Johnson appointed a Commission on Income Maintenance Programs to make recommendations for improvements by the end of 1969.

Range of Manpower Concerns

In closing its summary of manpower achievements and remaining problems, the Department of Labor called attention to the omission of several significant subjects, among which were: the location and condition of housing in relation to jobs; the effect of transportation on the location of employment; and the relation of medical and health care to the employability and efficiency of workers. The report stated that if a comprehensive and effective manpower program is to be developed, it is necessary for the manpower consequences of government action in all fields to be taken into account. Manpower considerations were not to be overriding: they were to be appraised so that steps could be taken to counter any anticipated manpower-related problems.

Such was the swan song of the Johnson Administration: The programs are working; full employment has been attained; but there are still marginal manpower problems which will require future attention and effort.

Evaluation of Manpower Policy by E. Wight Bakke

While the expansion and proliferation of manpower efforts was underway during President Johnson's Administration, the W. E. Upjohn Institute for Employment Research inaugurated a fundamental review of the federal programs and policies which created and supported them.[4] This research was conducted by the late E. Wight Bakke, Sterling Professor of Economics at Yale University, who had established an international reputation as a student of the manpower problems of advanced industrial societies.[5] Bakke's objective for the Upjohn Institute study was to appraise the total impact of the basic manpower policies and the multiplicity of programs in the United States in comparison with those of Western European countries. In the study he presented his views as to what was wrong with the limited policy being pursued by the federal government, together with his proposals for the future development of "a comprehensive manpower policy" for the United States.

Limited Manpower Policy of the United States

Bakke's thesis was that the United States had wandered into a de facto manpower policy, which was simply a composite result of the various manpower programs that had been set up to deal with one specific problem after another. The validity of his observation is plainly apparent in the history of these programs, set forth in the preceding chapters of this present study. The manpower services delivery system that was established for the unemployed was likewise broken down into separate programs for the young, the old, the ethnics, the blacks, the women, the retarded, etc.

Bakke's general criticisms were that manpower policy in the United States was: (1) overly concerned with the supply of labor and its placement and (2) overwhelmingly concerned with "the most disadvantaged and poverty-stricken

4. E. Wight Bakke, *The Mission of Manpower Policy* (Kalamazoo, Mich.: W. E. Upjohn Institute for Employment Research, 1969).

5. Bakke as a young graduate student cooperated with Clague in a study of unemployment. See Ewan Clague, Walter J. Couper, and E. Wight Bakke, *After the Shutdown* (New Haven, Conn.: Yale University Press, 1931).

portion of that supply," while it ignored the needs of other members of the labor force. He argued that policies and programs that might have been developed to promote national strength and economic well-being for all American people "have been lost sight of with the concentration on projects labeled 'manpower' designed to relieve poverty and hopefully to reduce the chances of riots in the urban ghettos."

Bakke summarized his judgment of the existing manpower policy in this devastating comment:

> When it is well understood, however, that Congress and the Administration have authorized, and the leading manpower program administrators have accepted, the mission to concentrate their attention on the disadvantaged unemployed, those [agencies and individuals] concerned with fiscal, monetary, trade, investment, income, urban and regional development, and military policies may be excused for saying, "What significance does manpower policy have for our task?" I am not aware of any statement from such sources as bold and icy as that. But in conversations with some of them, I sense an assessment of the utility, for their purposes, of close collaboration with the manpower authorities as about equivalent to close collaboration with the Salvation Army.
>
> How different is the status of the Labour Market Board in Sweden where, in spite of some well-suppressed resentment that the Board has been given a privileged position among the agencies concerned with overall economic policy, few moves are taken without considering and giving decisive weight to the evaluation of the labor market impacts of those moves by the Board, and without the synchronization of each economic policy move with the responsive or compensatory activities to be undertaken by the Board.[6]

Bakke listed what he saw as some of the specific United States manpower policy and programmatic shortcomings:

1. Resources to upgrade the employed and training for highly skilled positions were minimal.
2. Little attention had been given to subprofessional and middle-level technicians.

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6. Bakke, *Mission of Manpower Policy*, p. 85.

3. Lack of attention to the *prevention* of unemployment for *adult* members of the labor force. Among the devices developed in European countries to prevent adult unemployment were:
   a. Uniform basic education and avoidance of illiteracy.
   b. Assistance to workers to help them move to expanding industries instead of protecting them in contracting industries and communities.
   c. Anticipation of seasonal and cyclical fluctuations in the demand for labor.
   d. Development of an early warning system from employers.
4. Lack of official planning in identifying the target groups whose employment contributes to the nation's strength; in promoting productivity and efficiency; in devoting attention to national, as well as local, labor markets; in focusing manpower authority upon the emerging national problems.

This was Bakke's indictment of United States manpower policy: instead of a positive, dynamic leadership program giving the manpower agency a key role in the determination of the nation's economic policies, the United States, at the time of Bakke's study, had a supplementary, remedial, mopping-up manpower program operating on the fringes of the labor market. The nation's basic economic decisions were being made without much thought to their manpower implications; the manpower agencies picked up the pieces. The U.S. Employment Service was operating as a kind of social work agency concentrating on "the many causative factors impinging on economically, psychologically, or socially distressed individuals and families."

Bakke concluded that "unless the present direction of legislative and administrative thinking and action is changed, the manpower function of government will remain what it is actually becoming—a sophisticated form of public assistance."

Manpower Policy of the United States Compared to European Countries

Having posed the problem, Bakke then went on to describe the manpower policies and programs of three Western European nations—England, The Netherlands, and Sweden.[7] These comparisons were designed to illustrate and underscore the point that manpower policy should not be limited to the supply side of the labor market, and should not be focused exclusively upon the

7. Ibid., pp. 24–37.

marginal workers in the labor force, who usually constitute the mass of the unemployed. Instead, the efforts should also include methods of stimulating the demand for labor in the economy and should devote attention to the upgrading of jobs throughout the employed sectors of the economy. He pointed out that in Sweden an active labor market policy involved consideration of the following subjects:

1. Quantity and quality of the labor supply.
2. Quantity and quality of labor demand.
3. Labor market organization for the effective allocation of human resources.
4. Economic and social protection of the labor force.

In the implementation of their labor market policy the Swedes have the following means and measures at their disposal:

1. Measures to stimulate geographic mobility.
2. Measures to stimulate vocational mobility.
3. Measures to influence the location of industries.
4. Measures to encourage the employment of the handicapped.
5. Measures to create new opportunities to work.
6. Measures to suppress a too-high demand for manpower, especially in the construction of housing and public works.
7. Measures to give information, including vocational guidance and advice.

When Bakke compared United States manpower efforts with those in Western Europe, he reviewed the annual *Manpower Report of the President*, which, he acknowledged, served to bring to the attention of the public the objectives, achievements, and shortcomings of the manpower activities carried on by the various agency participants in the federal manpower programs. He described the emphasis of that report as being on "the present remedial and service-to-disadvantaged, individual-oriented manpower effort." Bakke drew a sharp distinction between the remedial public assistance measures that were applied piecemeal in the United States and the national economic planning of some European countries, such as Sweden, in which manpower was treated simply as one important facet of a national program aimed at stability and growth for the whole economy.

Proposal for the Development of a Comprehensive Manpower Policy

Bakke envisaged that the United States program might take on some of the salient characteristics of the Swedish system in which labor, management, and the national government plan together for the creation of a prosperous, affluent society. Before proposing a new manpower policy, he identified the key manpower issues that had to be considered. The following items constitute a sample of the more important issues that he identified.[8]

1. What changes in public and private activity affecting the preparation of persons for work, the demand for their services, and their movement into particular kinds of work can be expected to result from a successful attempt to maintain an employment level leaving an average of only 3 percent of the labor force unemployed?
2. How can full employment be reconciled with desirable wage, price, and productivity results?
3. To what extent can manpower policy remove obstacles to the operation of a free market and to what extent does it necessarily involve regulation of free market forces and participants?
4. What is the probable effect of alternative measures associated with manpower policy on productivity, competition, collective bargaining, and trade union policies?
5. What are the mutually interactive effects of manpower policies and other economic and social policies?

Bakke's proposal for a new federal policy is best summarized in a quote from his first chapter, "Manpower Policy in Search of a Mission":

> Is there a more comprehensive and basic meaning which can govern the current and future development of programs, a development which is oriented toward the nation's *total* manpower problem, of which that concerning the disadvantaged is only a part, albeit an important part? . . . is concentration on the meaning of manpower policy implicit in the present programs inhibiting the realization of that more comprehensive and basic concept of manpower policy which could give direction to government action in this area? Is it possible that efforts directed to a more comprehensive objective would produce even greater possibil-

8. Ibid., pp. 83–85.

ities than present efforts for the employability and employment not only of the disadvantaged but of all citizens?[9]

Bakke concluded his book by saying:

I look forward to a time when the meaning of manpower policy and program will be provided by an emphasis related to achieving national economic strength as well as the economic and social well-being of our disadvantaged citizens in the following ways [selected examples]:

1. Manpower programs will emphasize the development of particularized demand in the form of jobs geared to the characteristics of the available labor supply, as well as the development of employability in individuals.
2. The supply resources and, therefore, the focus of concern will be regarded as *all* potential workers whose productive potential is underutilized, as well as the disadvantaged, be they employed or unemployed.
3. Labor shortages will receive as thorough remedial attention as labor surpluses.
4. The needs of, and the opportunities provided by, the national labor market will receive attention equal to that given to the needs and opportunities provided by local and state labor markets.
5. The anticipation and prevention of unemployment in particular places, among particular groups, and in particular seasons will receive attention equal to that devoted to the relief of the unemployed.
6. The total overall direction and guidance of, and financial support for, all aspects of the manpower effort will be synchronized by a single agency at the federal level and at the local level.

A manpower policy which can realize its potential contribution to the economic, social, and political strength of the nation and to the economic and social well-being of all its citizens is an *employment* policy, the operational field of which is the system, processes, and mechanisms of particularized employment and its dual resources of employability in people and opportunities for work. Its objective is a system of full *particularized employment* which is maximally productive, economically

9. Ibid., p. 2.

rewarding and dependable for workers and employers, national and individual growth-stimulating, and freely chosen. Its clientele is the total labor force now employed, to be employed, unemployed, underemployed, or ineffectively employed, whatever their type and degree of skill, industrial or occupational attachment, or condition of social or economic advantage or disadvantage.[10]

An Analysis of Bakke's Recommendations

What Bakke was saying, and what the Upjohn Institute for Employment Research was popularizing by publishing his study, was that the manpower policy in the United States had been moving in a direction opposite from that in which it should have been moving. Attention had been focused almost exclusively upon the marginal workers in the labor force and upon remedial measures designed to find jobs for the disadvantaged and the hard-to-place. Bakke's proposal was designed to reverse these trends and to construct a positive manpower policy which would be coordinated with the economic policy of the nation, out of which would come the new jobs and the expanding economy which would provide a rising standard of living for all Americans. Bakke may not have been a good prophet, but he certainly was a good economic forecaster. He gauged correctly the general trend of the United States system, which was not in the direction for which he had hoped, and thus his own prescriptions were not realized.

Before discussing the history of manpower programs in the United States subsequent to the Johnson Administration, it is worth asking whether Bakke's system could possibly have worked out as he designed it. In the judgment of this reviewer, Bakke expected too much. He made one basic miscalculation: namely, he underestimated the vast difference between the Swedish labor movement and that of the United States. The former is unified, cooperative, and policymaking. The Labor Party controls the government so that there is close coordination between legislative and economic action. Some of the best economists in the nation are in the labor movement, and the labor leaders listen to them. Strikes are rare. There was a sharp internal conflict about four years ago threatening the stability of the Swedish government, but the contenders closed ranks and economic planning was restored. Probably no country in the free world has better cooperation between labor and management than Sweden.

The labor movement in the United States is not united in support of a political party. The policy of "rewarding your friends and punishing your ene-

10. Ibid., pp. 125–126.

mies" sometimes produces Democratic votes from the unions at the national level and Republican votes at the state level. In the election of 1972, for example, some national unions supported President Nixon while others supported Senator McGovern. The United States labor movement, therefore, has no unified voice in national policy matters and no integrated economic plan for the economy in the same sense that the Swedish labor movement has. In Sweden the union leadership can operate from a consensus and therefore can apply pressure and discipline within its ranks in pursuit of a national economic policy. In the United States the individual national unions can pursue their own industrial interests without respect to what effect their policies may have on the national economy.

In conclusion, Bakke's prescription for the United States economy could not work because the necessary economic and political unity had not been achieved.

V. THE NIXON ADMINISTRATION

The New Look

The initial manpower policies of the Nixon Administration were directed toward improving the management of manpower programs at the national level. In order to achieve this objective, more top-level administrative jobs were created in the Department of Labor and in its Manpower Administration. In addition to a complete turnover in the political appointments of the department—secretary, deputy secretary, assistant secretaries, etc.—there were many shifts in top executive positions in the Manpower Administration. The new enlarged team brought with it a new political philosophy concerning federal manpower involvement, as well as a shift in manpower priorities.

Although the federal government had been seriously involved with *permanent* manpower program development only since 1961 and with *permanent* manpower program development for the economically disadvantaged since 1964, those programs had gained strong support in Congress and across the nation. The Nixon Administration learned rather quickly that it would be difficult either to dismantle the War on Poverty or to reduce significantly the level of funds that were being spent on manpower programs. So instead of reducing programs and appropriations, the Administration decided to alter and improve the approaches.

As was stressed in chapters III and IV, the years of the War on Poverty saw a multiplicity of federal manpower legislation, with many programs designed specifically to assist certain groups, and other programs aimed at helping all deprived groups. The proliferation of programs ended when President Johnson completed his term of office in January 1969. The immediate concern of the Nixon Administration was that there were too many categorical manpower programs and too many federal departments and agencies involved in the administration of the manpower system. Such fragmentation caused inefficient overlapping of services and made it difficult to develop a consistent federal manpower policy. In order to develop more effective coordination among the programs, in the early days of the Nixon Administration efforts were made to centralize basic federal manpower responsibilities in the Department of Labor and to establish more effective coordination among all federal participating agencies. The Manpower Administration in the Department of Labor was therefore given new duties and responsibilities, as well as additional resources with which to coordinate manpower policy.

The new Manpower Administration team proposed to develop a permanent system for planning, administering, and delivering manpower services in order to eliminate the problems created by the fragmented, categorical program system with which it was faced. The Manpower Administration itself was reorganized to create stronger regional offices. These offices were delegated responsibility for the planning and the operation of all manpower programs within their respective regions. Placing authority in the regions, closer to the level where programs were implemented, was the first step in decentralization, the primary aim of which was to improve the coordination of programs. In addition to decentralization, the decategorization of programs was considered necessary in order to overcome "rigidities and variations in requirements and regulations," but it was thought at that time that new legislation would be needed for that purpose.[1]

There were many other changes made by the new administration of the Department of Labor aimed at improved manpower services. One was the dissolution of the Bureau of Employment Security and the creation of the U.S. Training and Employment Service. Another critical change to achieve an improved delivery system for manpower services was a revamping of the administrative machinery of the Concentrated Employment Program (CEP). Evaluations of the effectiveness of this program (actually a delivery system) had revealed deficiencies. In July 1969 an order was issued authorizing the regional manpower administrators to make the following changes:

1. The prime program sponsors (the local Community Action Agencies) were to concentrate on overall management of the delivery of services.
2. The Employment Service offices were to ensure the delivery of manpower services to the enrollees in the programs.
3. Competing job-development activities of sponsoring agencies were to be replaced by a single system of job-getting which would operate through the Employment Service local offices.
4. The interrelationships among the prime sponsors, the subcontractors, and community groups were to be coordinated to avoid duplication and friction.

In August 1969 the Administration sent to the Congress a proposed Manpower Training Act designed to overcome "the inefficiencies inherent in the present patchwork of manpower programs." However, Congress did not act upon that submission, and the proposal was resubmitted to the next congres-

1. *Manpower Report of the President, 1970*, p. ix.

sional session in the spring of 1970. Though Congress approved the program, it was unacceptable to the Nixon Administration and was vetoed.

The Nixon Administration took steps to enlarge the role of private industry in the manpower programs by strengthening the JOBS program. The objective was "to open more real jobs for the disadvantaged." In November 1969 a new program, JOBS '70, was launched by the National Alliance of Businessmen (NAB). Greater emphasis was to be placed on upgrading present employees to higher positions in the new program.

Finally, the *1970 Manpower Report of the President* set forth principles which President Nixon considered essential for governmental reform in manpower programming:

1. A fundamental reordering of federal-state-local relationships.
2. Authority to be placed at the level of government closest to the citizens to be served.
3. Primary reliance to be placed on the elected heads of state and local governments for the allocation of manpower resources.
4. Federal assistance to be provided in flexible form so that local administrators can mount programs tailormade for their constituents.
5. Maximum effort to be made to simplify administration and to measure success or failure of the programs in promoting an individual's welfare.
6. Manpower policies to be developed in concert with other aspects of social, economic, and political policy.

Before these proposals could be put into operation, unsolved problems and old issues surfaced.

First Work Incentive Program (WIN I)

When Congress passed the 1967 amendments to the Social Security Act which established the Work Incentive Program (WIN) for recipients of Aid to Families with Dependent Children (AFDC), these amendments included the requirement that the Department of Health, Education, and Welfare make a report to the Congress by July 1, 1970, on the actions that had been taken under the amendments. The incoming Nixon Administration prepared itself to meet this deadline.

Between 1967 and 1970 the basic dilemma of the AFDC program had become much worse. The unemployment rate for the calendar year 1969 had

reached a 15-year low of 3.5 percent. But the AFDC rolls had increased. Tension grew as Congress awaited an explanation of this welfare anomaly.

A breakdown in the statistical reporting system, which was caused by the wholesale introduction of computers in the state welfare agencies, created confusion and uncertainty in program administration. Everything seemed to go wrong. In some states checkpaying and financial accounting were given computer priority, with the result that the statisticians could not get their statistics processed. In others, the computers were manned by incompetent operators who could not produce accurate reports. In one state the computer operator quit, and no one else knew how to get the data out of the machine.

The result was statistical chaos in Washington. As of May 1970 one large state had not reported AFDC statistics for any month subsequent to October 1969. Some states had tabulated by simple hand counts, for which there was neither a check on accuracy nor assurance of consistency with previous data.

With this situation as a catalyst, the White House decided that the Department of Health, Education, and Welfare and the Department of Labor should collaborate closely in a monumental project in which the state welfare agencies would comb the AFDC rolls for all employable persons capable of being referred to the state Employment Service for training or placement, while the local Employment Service offices would try to place as many as possible of these welfare employables in training courses or in regular jobs.

Under the best of circumstances, with perhaps a carefully selected experimental sample, this exercise might have furnished guidance for the future of the WIN program. However, it turned the welfare and placement agencies against each other in many of the states. In a few states the welfare agency, under pressure from the governor, raced through the certification process and built up a massive list of employable cases. These were then referred to the local employment offices, often in such numbers that the offices were overwhelmed.

In other states the employment offices simply filled the available training slots they had and returned all the remaining "employable cases" back to the agencies. This procedure not only stirred up the unemployed AFDC recipients, who felt that they had been misused, but also antagonized the two staffs which should have been cooperating. Another source of dispute between the agencies was the return to the agencies of those cases which the Employment Service did not consider to be employable.

It must be emphasized that, despite these isolated stories, the two agencies cooperated very well in a majority of the states. The state Employment Ser-

vice office informed the state AFDC agency of the exact number of WIN training slots which were available and the number of private industry placements which might be made; the agency then referred the appropriate number of cases to the local employment office. In such states the usual result was that the AFDC agency slowed down the review of the caseload for employability. That procedure avoided arousing either the hopes or the concern of AFDC recipients for whom there was no action possible at that moment.

This joint Labor-HEW program for AFDC recipients developed into a situation in which the diversities of federalism as a system of government were exhibited to their outer limits. First, there was the time it took for different states to activate the program. Maryland and the District of Columbia were inducted into the WIN program in August 1968. A total of 11 states signed up in September, and 11 more in October. By the end of the year there was a total of 36 (including Puerto Rico and the Virgin Islands).

That left 18 states out of the picture when the Nixon Administration took office. Many of these required legislative authorization to permit them to participate under the terms of the federal act. This meant waiting for the results of the 1969 sessions of the state legislatures. Mississippi and the island of Guam came into the WIN program in February 1969. Seven states joined in July 1969, and others did so in subsequent months, until only three were missing—Nevada, Indiana, and New Hampshire—by the end of 1969. Nevada solved its problems and began the program on April 1, 1970. Following negotiations with the Department of Labor Regional Office, Indiana entered the program on May 1, 1970. But New Hampshire, refusing to "yield any of the sovereignty of the state," had not reached an agreement by the beginning of the next fiscal year.

In the assessment of their AFDC caseloads the states were euqally diverse. California, which had the largest caseload (304,000) in December 1969, had taken the lead; by February 1970, after the governor had issued the order that all cases had to be reviewed and classified as soon as possible, it had classified as *appropriate for referral* 106,800 of its entire load. New York also started out with a bang; beginning in November 1968, it had assessed 135,000 individuals by the end of the year. However, New York's standards turned out to be different from those in California. Out of a caseload of 272,000 in December 1969, New York had classified as *appropriate for referral* a little over one-sixth (48,000). The state of Washington, with only one-tenth the caseload of California, classified half of its total as eligible. The explanation was that the Boeing plant in Seattle had laid off thousands of employees, and

many male employable heads of families had entered the relief rolls. Other states with high ratios of appropriates for referral were West Virginia, Utah, Arizona, and Colorado.

At the other extreme were states which turned up only low ratios of appropriates for referral. Illinois, with an AFDC caseload of 83,500 listed less than 10 percent (7,920). Maine listed 7.5 percent, Oklahoma 6.7, and Virginia, Louisiana, and Missouri less than 6.0 percent.

The chief explanation of the above divergencies was differences in state policies regarding actual referral of AFDC cases to the Employment Service for registration, placement, and training. This was an extremely sensitive area because it was at this point that the cooperating agency, the Labor Department, came into the picture.

Once more California was one of the most activist states; out of 106,800 appropriate cases, California made nearly 94,000 referrals to the local Employment Service offices for registration. The placement efforts of the local offices were focused almost entirely on the AFDC cases. For a considerable period of time unemployment insurance claimants were instructed to look for jobs on their own—the Employment Service had no time to help them. In the referral of clients to employers, the AFDC cases were being given preference over the unemployment insurance claimants. This neglect in turn aroused the insured employers who were counting on the local Employment Service offices to provide the insured unemployed with job opportunities.

While this type of pressure for the placement of AFDC individuals was also applied to some extent in other states, the prevailing pattern among the welfare agencies was one of caution and conservatism. In general, most state agencies followed one of two patterns. Some states applied high standards in the original selection process, obtained a practicable number of appropriates, and sent to the Employment Service most of those so classified, sometimes 100 percent.

Examples

State	*Appropriates*	*Referrals*
Michigan	14,271	14,271
Pennsylvania	12,674	11,636
Connecticut	3,987	3,987
Georgia	2,029	2,029

Other states made a thorough review of their AFDC caseloads and obtained a reasonable number of appropriates, and then made only limited referrals to the local Employment Service offices—the numbers were limited to the WIN training slots available and to the placement opportunities in the labor market.

Examples

State	*Appropriates*	*Referrals*
Kentucky	8,171	3,135
Colorado	5,608	2,887
Mississippi	3,094	444

Assessment of First Work Incentive Program (WIN I)

The agency on the receiving end of all this work-welfare activity was the Labor Department's Manpower Administration—more specifically, the Employment Service. In some states the relationships between the Department of Health, Education, and Welfare and the Department of Labor through their state counterparts were very good. The strains inherent in the joint WIN program were often surmounted by adjustments on both sides. But in other states relationships were strained, and the operation of the WIN program aggravated the tensions.

On the one side was the local Employment Service office trying to build up its status with employers and to achieve good placement records by supplying qualified applicants. On the other side was the welfare agency required to screen out its AFDC employables, get them jobs or training, and cut its caseload. Caught in the middle were employable individuals in transit from the claimant rolls of public assistance or unemployment insurance to work. A certain amount of friction was inevitable.

It is necessary to cite only a few examples. First, some AFDC recipients referred by the welfare agency turned out to be unemployable when interviewed in the local employment office; some new factor came to light—a health condition not previously disclosed, transportation problems, or limitations on working hours or working conditions. The applicant might also have been so limited with respect to opportunities acceptable to him or her that there were no jobs to which he or she could be referred. Finally, sometimes when an individual went out on a job order, the employer reported to the local employment office that he would not accept any more such referrals.

These examples of individual difficulties are troublesome enough. But of far greater significance were the masses of AFDC referrals who were returned

to the AFDC agency because the volume was far too great to be handled by the Employment Service. In any case, applicants who were turned back to the agency had been put through the mill and had been found wanting! They became resentful of both agencies and disturbed about their future.

The agencies had other issues to settle among themselves: If the local employment office reported to the AFDC agency that a referred employable had refused to take a suitable job, should the agency drop him from the rolls? To whom should the client appeal for a review of his case? When such individual cases were multiplied by hundreds and thousands, the potential for dissatisfaction and resentment was enormous.

Finally, what about results? On a cumulative basis from January through December 1969, maintenance payments were no longer required by about 9,800 AFDC-WIN families with an estimated total of 47,000 family members because the employables in the families had been placed in jobs. Of those 9,800, a majority (5,800) were unemployed fathers; the remainder, mostly mothers. Nevertheless, as of the spring of 1970 the results were miniscule, considering the money and effort expended on the program. The WIN program was approaching a day of reckoning. The upward trend in AFDC beneficiaries and expenditures, which had concerned the Congress in 1967, had continued unabated during the succeeding years. The number of AFDC families had risen from 1.2 million in 1967 to over 2.0 million in early 1970, and the number of dependent children had increased from 3.75 million to more than 6.00 million. The increase occurred during a period of national prosperity.

Yet between 1967 and 1969 the unemployment rate had fallen from 3.8 to 3.5 percent (from nearly 3.0 million to 2.8 million persons). The employed labor force had expanded from 74.4 million in 1967 to 77.9 million in 1969, a gain of 3.5 million. How could administrators account for an *increase* of about two-thirds in dependent families and their children? Employment was growing rapidly, but the AFDC families were not getting the jobs. What was the matter?

A new plan for solving the work-welfare dilemma had been germinating in the Nixon Administration, and it forestalled a congressional explosion over the WIN program.

Development of the Family Assistance Plan

The guiding spirit in the new approach to the work-welfare problem was Daniel P. Moynihan, the well-known Kennedy-Johnson Democrat, whose ap-

pointment as adviser to President Nixon early in his Administration surprised the nation. Some background information concerning the Family Assistance Plan for which he was responsible is necessary here.

Moynihan had long been interested in the impact of the work-welfare dilemma on the family. When he was Assistant Secretary of Labor in the Kennedy-Johnson Administrations, he had expressed strong interest in the Children's Allowance Program in Canada as a possible model for the United States. While serving in that capacity he had also become interested in the employment and income disadvantages of blacks and other minority groups. He not only wrote extensively on these subjects, but also played an active part in the creation of new programs developed under the auspices of the Office of Equal Opportunity. He resigned as Assistant Secretary of Labor in the summer of 1965 and later joined Harvard University as a senior member of The Institute of Politics of the Kennedy School of Government, from which forum he continued his interest in the ongoing poverty programs.

While Moynihan was serving President Nixon, the outcome of the deliberations of the President's Commission on Income Maintenance Programs under the chairmanship of Ben Heineman became known. This commission had been appointed by President Johnson in 1968 to examine various proposals which had blossomed in the academic community as a result of research studies on family income.

One of these proposals was a Negative Income Tax. In brief, a family with an annual income below the minimum standard designated by the government would receive from the U.S. Treasury an allowance sufficient to achieve and maintain the minimum standard of living. This allowance would decrease as the earned income increased until eventually the family would enter into full self-support. For example, an unemployed male with a wife and two children might receive an allowance of $2,400 a year. When he went to work, he would be given an additional allowance of, for example, $600 as a bonus (making a total of $3,000). After that, he would lose 50 cents in benefits for each $1.00 of increased income; that is, for the next $1,200 of earned income he would lose $600 in allowances. Hence, his total income would be $3,600, consisting of $1,200 in wages and $2,400 in allowances. Carried out to full self-support, it would require earnings of $6,000 to cut off the allowance.

Moynihan was an advocate of such a system of cash payments to the welfare families instead of other types of assistance provided by social workers. The arguments in support of such a program were: (a) that the social services method was both cumbersome and expensive to administer; (b) that families could spend their own money more efficiently than an outside adviser (social

worker); and (c) that this negative income tax system would furnish a natural bridge from welfare to work by providing a persistent incentive for the family earner to work in preference to subsisting on welfare payments.

The fundamental work disincentive of earlier welfare programs was that earnings from work were deducted in full from the family welfare allowances. A worker earning income higher than the welfare allowance would automatically lose his assistance payments. The result was that among larger families (with several children) the welfare payments were about equal to what the employed head of the family could earn. So the low-income families tended to divide into two distinct groups: the welfare poor subsisting on welfare, and the working poor who were self-supporting, but at scarcely more than the welfare scale of living.

Another problem was created by families in transition from one status to the other. A family of working poor, suffering from the unemployment of the household head, became eligible for welfare and, after some necessary administrative delay, became a welfare case. Where now was the incentive to return to work? In other words, the bulk of the transition was in one direction—down, not up.

Here is another example: If the family head had part-time employment, the family was entitled to supplementary relief payments sufficient to bring family income up to the welfare standard. But moving up or taking another part-time job simply traded welfare income for work income, with little or no net gain. Conversely, if the family head lost his part-time job, welfare payments would be increased to cover most or even all of the loss.

A welfare variant which developed over the years was the food stamp program. Recognizing that a poor family with marginal income might find itself economizing on food, the welfare policymakers worked out a food stamp program by which the family could buy stamps at far less than the purchasing power of the stamps in the grocery stores. The price of the stamps to the family was graduated inversely to its income—the lower the income, the lower the price. But at all levels of income which made the family eligible there was a substantial gain to the family in the purchase of food.

Another variant was subsidized housing. A low-income family was eligible for low-rent housing on a graduated scale—an additional benefit was available to welfare families. This proved to be an especially knotty problem when the family income increased beyond the poverty level; the family was reluctant to move because it could not find other accommodations at prices that it could afford to pay.

These anomalies in the nation's welfare system and their relationship to employment and to manpower programs aroused the interest of social scientists concerned about the work-welfare dilemma. Professor James Tobin of Yale University, a former member of the Council of Economic Advisers, conducted studies and published a series of papers on the negative income tax. Research funds were provided to several universities for a practical experiment in the operation of a negative income tax system over a period of years among self-supporting families. Sessions at the annual meetings of professional associations were devoted to discussions of the practicality of developing such a bridge between work and welfare.

This was the existing situation in the summer of 1970 when the Administration recommended the Family Assistance Plan (FAP), which Daniel Moynihan was largely responsible for designing. The plan was based on four fundamental principles:

1. Strong incentives to encourage work and training.
2. Equity to provide assistance to working poor families.
3. Respect for individual choice and family responsibility.
4. Administrative efficiency to earn the trust of the taxpayer.

These principles were also to be extended to several ancillary programs—medicaid, food stamps, and public housing. Furthermore, there was to be a reform in social services for the poor. The special program for unemployed fathers was to be phased out, thus eliminating one of the most serious work disincentives noted by the Senate Finance Committee.

Our interest here is in the prospective impact of the proposed Family Assistance Plan upon the job development, placement, and training activities of the Department of Labor under the existing WIN program. The joint DOL-HEW Task Force which surveyed the operations of the WIN program over a period of five months (October 1969–February 1970) came up with a list of shortcomings in the WIN program:

1. Incentives for training are too low.
2. The Employment Service cannot directly help enrollees meet personal expenses related to training.
3. The requirement for substantial state dollar contributions is a major impediment.
4. The "referral" relationship between welfare agencies and Employment Service offices is too discretionary and variable, resulting in gaps and lax enforcement.

5. Dual agency responsibility and guidelines create confusion and conflict.

6. The lack of adequate child care is a major barrier to training and employment.

Briefly stated, the new Family Assistance Plan proposed to straighten out these problems by making important changes in the system. For example, in order to ease state problems, federal funds for training would be raised from 80 percent to 90 percent and for child care from 75 percent to 100 percent. To eliminate dual agency confusion, responsibilities would be clearly delineated. The Labor Department would be given a separate appropriation to carry out its responsibilities for the program.

Intensive and prolonged congressional hearings on the Family Assistance Plan produced a stalemate. The proposal never died; it became moribund. The Senate Finance Committee, under the chairmanship of Senator Russell Long of Louisiana, did not succeed in arriving at a solution to the work-welfare dilemma. When the dimensions of administering such a program became evident in the course of the debate, an excursion into the negative income tax idea became an alarming prospect. One dimension was the income level to which the tax should be applied. In New York the public assistance rate for a family of four—husband, wife, and two children—was about $4,000 a year. But in the rural areas of the South (and other sections of the country) even half that amount ($2,000) was far beyond what was being granted under the AFDC state programs.

At that time a national minimum of $4,000 a year would barely meet the needs in New York City (and many other large urban areas), while it would yield income far beyond possible earnings from wages in many areas of the rural South. In fact, it was conceivable that literally thousands of working families all over the country would be motivated to give up their jobs and become eligible for the negative income tax payment from the U.S. Treasury. However, if the national minimum was set lower (on one occasion the Nixon Administration suggested a figure of $2,400), then welfare grants of substantial amounts would have to be provided to low-income families under the public assistance formulas in most of the nation's large metropolitan areas. These families could not escape the welfare system because state and local assistance payments would be necessary in order for them to live with the negative income tax.

A second dimension of the problem was what tax rate should be applied to earnings when the family wage earners found work. Arguments were ad-

vanced by program proponents that a 50 percent income tax rate was very steep for a low-income family. Would it guarantee an incentive to work? It was felt that a 33-1/3 percent rate would produce better results. Using this latter rate (instead of 50 percent) in the example presented earlier in this section, the maximum level of wages would increase from $6,000 to $9,000 before benefits would end. Opponents of the program were worried about what the total governmental expenditures would be if such rates of earnings and taxes were to be applied to a floor of $3,000 or $4,000! A compromise which received careful attention for a time was an untaxed earnings sum of perhaps $1,000 (in order to encourage a work incentive) before the 50 percent rate was applied.

But none of these variations obtained sufficient support. The outcome was simply that Congress enacted the WIN II program, which replaced WIN I and was expected to correct many of the shortcomings of the first program. This new program continued to assist only eligible AFDC families; however, in the WIN II program some untaxed earnings were allowed above the welfare grant, with subsequent substantial offsets of welfare payments against earnings. There were two fundamental differences between it and the negative income tax: (1) the families' support payments came from state and local welfare agencies, not from the U.S. Treasury; and (2) there was a compulsory requirement for registration for work at the local employment office by all AFDC recipients who did not meet any program exemptions, and payments would be discontinued for the earner's refusal of suitable work—there was no such requirement for the negative income tax.

The failure of the Family Assistance Plan to win support in the Congress left the Nixon Administration with the work-welfare problem still on its hands. The Administration continued to press for welfare reform along the lines of the Family Assistance Plan during the opening months of its second term in office. However, to this day, the work-welfare dilemma still awaits a practicable solution.

The Transition

Modifications of the nonwelfare manpower programs were taking place concurrently with the debate on the Family Assistance Plan and the enactment of the WIN II program by Congress. The fluctuating economic situation was causing difficulties for the Manpower Administration and its agencies. First, the persistent inflation of wages and prices had turned the economy around

following the recession of 1970. As a last-resort effort, President Nixon changed his Administration's economic policy and invoked standby authority for price and wage controls which Congress had provided in previous legislation originally opposed by the Administration. Controls were established in August 1971 and continued in effect throughout the remainder of President Nixon's first term.

More important for the manpower programs was the slowing down of the war in Vietnam. The war industries were cutting back production and laying off many thousands of highly skilled workers, who had trouble finding suitable employment. Veterans were being released from the Armed Forces and were swelling the numbers of the unemployed. A "Jobs for Veterans" campaign was established in 1970 to assist veterans who were experiencing extreme difficulty in finding good jobs. Enrollment in special veterans' programs doubled from 1969 to 1973; veterans were also provided employment and training assistance in other manpower programs.

The Status of Pre-Nixon Programs

The further evolution of the important pre-1969 manpower programs varied greatly from 1969 to 1973 (see appendix table). The MDTA programs had a total first-year enrollment increase of 18 percent, with on-the-job training increasing by 46 percent and institutional training decreasing by 12 percent. The changes in appropriations for the Job Corps and the Neighborhood Youth Corps (NYC)—the two programs providing youth with financial support, training, and development of good work habits and attitudes—varied greatly during this period. First-year enrollment in the Job Corps decreased by 19 percent while enrollment in the Neighborhood Youth Corps increased by 25 percent.

From 1969 to 1973 the WIN program received greatly increased federal support because of public officials' concern about the rising costs of public assistance, mainly attributable to the soaring number of AFDC recipients. First-year enrollments in WIN increased from 81,000 to 239,000, a 195 percent increase. Operation Mainstream expanded even more rapidly—an increase of 245 percent in first-year enrollments from 1969 to 1973, although in absolute numbers this was an increase of only 27,000 enrollees. The Concentrated Employment Program (CEP), which was unable to achieve its important objectives and received strong opposition from local government and public agencies, was severely cut back. First-year enrollment was reduced from 127,000 to 69,000, a 46 percent reduction.

Enrollments in these programs are compared in the following table:

Changes in First-Year Enrollments

Year	*Total*	*MDTA*	*Job Corps*	*NYC*	*Operation Mainstream*	*WIN*	*CEP*
1969	1,047,000	271,000	53,000	504,000	11,000	81,000	127,000
1973	1,338,000	320,000	43,000	629,000	38,000	239,000	69,000
Percent change	28	18	−19	25	245	195	−46

Federal Support for Public Employment

During the Nixon Administration there was a rapidly increasing demand for public services, both at the state and at the local level. At the same time, large urban areas were being confronted with serious fiscal problems and were thus unable to finance new public services. Cutbacks often had to be made, which additionally aggravated unemployment problems.

At this same time, federally sponsored manpower programs had difficulty in obtaining the commitment of employers in private industry to sponsor training projects; other programs had difficulty in placing individuals with private-sector employers after they had been trained in an institutional setting. For these reasons the programs had little success in reducing unemployment. This fact, coupled with the increasing demand for public services, made it necessary for the federal government to give financial support to programs which would place the unemployed in public-sector positions. Substantial funding for this purpose began in 1970.

Renewal of federal support for public employment was the important contribution that was made to federal manpower legislation by the Nixon Administration. The two programs enacted during this period were the Public Service Careers (PSC) program, and the Public Employment Program (PEP). There were existing manpower programs designed to place individuals in public-sector positions, such as NYC, Operation Mainstream, and WIN, but they seldom placed enrollees in permanent unsubsidized positions. The enrollees in those programs were mainly given "work-experience" positions that usually paid only the minimum wage. The two new programs were not created as "make-work" efforts, although they frequently turned out to be just that. They often involved the employment of professionals and paraprofessionals at significantly higher pay scales than found in the other manpower programs.

The success of PSC and PEP in reducing the unemployment rate was limited. In 1972, which was the peak employment year for these programs in the 1969–1973 period, there were only 226,000 public employment placements, which meant, at the most, a 3 percent reduction in the unemployment rate. In 1973 total placements were approximately 200,000.

Public Service Careers Program

The Public Service Careers (PSC) program, which began operation in 1970, was intended to provide jobs in government service for disadvantaged workers and to assist in upgrading those low-paid government employees who were in positions that offered little hope for upward mobility. Operating within merit principles of personnel selection, it attempted to overcome institutional barriers, as well as educational and other personal deficiencies, which restricted the employment of disadvantaged people in the rapidly growing public sector. Three areas of emphasis were planned for new employment and job upgrading: state and local governments, federal grant-in-aid programs, and the federal civil service.

The Public Service Careers program was expected to function in the public sector somewhat as the JOBS program did in private industry. Much of the PSC program was based on the concept of "hire now, train later," and the program paid for a part of the costs of on-the-job training and necessary supportive services. Indeed, it was anticipated that, as the slowing of the economy forced the JOBS program to fall short of its goals, the Public Service Careers program would take up some of the slack.

Public Employment Program

The Public Employment Program (PEP) was the first large-scale program sponsored by the federal government since the 1930's to combat unemployment by establishing a large number of employment opportunities in state and local governments. The Emergency Employment Act of 1971 contained the enabling legislation for PEP, which was initially established as a two-year program for providing jobs at a time of high unemployment. Unemployment was then around 6 percent, and state and local governments were having difficulty raising the revenues needed to meet their rapidly increasing costs.

There were four basic objectives of PEP:

1. To reduce unemployment.

2. To provide needed public services.

3. To hire from specified target groups—unemployed Vietnam-era veterans, welfare recipients, youth entering the labor force, older workers, workers with little or no command of English, migrant and seasonal farmworkers, and other disadvantaged persons.

4. To move participants into permanent jobs (program guidelines required that a minimum of 50 percent of the enrollees be placed on permanent payrolls).

PEP was developed as a federal revenue-sharing program, and it therefore helped to lay the groundwork for many of the features of the Comprehensive Employment and Training Act which was implemented in fiscal year 1974 (discussed in chapter VI). In implementing PEP the cities, counties, and states acted with a minimum of federal direction. Program agents exercised considerable freedom in selecting the agencies that were to receive the funding, the jobs to be created, the training and supportive services to be supplied, and the amounts of dollars that subagents and employing agencies were to receive.

A major criticism of the program has been that it skimmed the most employable of the unemployed workers and had little impact on seriously disadvantaged groups and the hard-to-employ. Many who were employed with PEP funds would not have had much difficulty in finding unsubsidized employment. Actual statistics show that the program did not in fact give priority to all the groups specified in the program guidelines. Veterans did receive high priority along with minority and middle-aged males. Females and younger and older unemployed workers received lower priority from the hiring agencies. Only about 25 percent of the enrollees had less than a high school education, which is extremely low compared to other federally sponsored employment programs. Local governments were less concerned with hiring the truly disadvantaged than with providing jobs for other unemployed in the community.

VI. A COMPREHENSIVE MANPOWER REVENUE-SHARING PROGRAM

The Need for Legislative and Administrative Changes

Stanley H. Ruttenberg, former Assistant Secretary of Labor for Manpower and Manpower Administrator, has stated that there was no question in 1968 when he left the federal government that "the single biggest hindrance to effective and efficient implementation of national manpower policy was the lack of comprehensive legislation."[1] In addition, critics continually pointed to the federal government's inability to implement manpower programs effectively because of the difficulty in addressing the specific needs of every regional, state, and local area. These programs were being designed by the federal government for specific labor markets without any significant input from representatives of the local areas receiving the funds, even though local groups were responsible for implementing the programs. The Nixon Administration tried to improve this system through legislative and administrative changes.

Proposals of the Nixon Administration

The Administration methodically attempted:

1. To decentralize manpower program planning and administration by increasing the role of state and local governments.
2. To decategorize the system that produced a proliferation of programs during the 1960's.

President Nixon first tried to reduce the federal government's role in manpower program development and implementation in 1969 when he recommended the Manpower Training Act. This legislation expressed his view that it was time to "pull together much of the array of Federal training services and make it possible for state and local governments to respond to the needs of the individual trainee in the various programs" (H.R. 13472 and S. 2838). This reflected the attitude that local government is more responsive to the needs of its constituents and should, therefore, not only implement but also develop public manpower policy.

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1. "Manpower Needs Strong Federal Role, More Funding to Help Disadvantaged," *Manpower Information Services*, Vol. 5, No. 22 (July 17, 1974), p. 473.

More efficiency and flexibility could be created in the manpower delivery system by increasingly involving state and local governments. President Nixon's proposals, however, to a great extent emphasized state rather than local authority and responsibility. The Manpower Training Act of 1969 would have reordered manpower training by repealing the Manpower Development and Training Act of 1962 and Title V-A of the Economic Opportunity Act of 1964. However, this proposed legislation never became law.

Following the failure of Congress to pass this Act, another Administration proposal evolved whereby the federal government would continue to provide the funds needed to sustain manpower program implementation and whereby the authority and responsibility for manpower programs would be transferred to the lower levels of government. This manpower revenue-sharing proposal is a part of the overall concept of new federalism, which is based on the fact that the federal government has the greatest source of tax revenue and on the belief that local governments are the most responsive to the needs of the people. The Nixon Administration, supported by a strong coalition, pressed for program enactment of manpower revenue sharing, as well as other special revenue-sharing proposals and general revenue sharing. Manpower revenue-sharing legislation was finally enacted by Congress in December 1973 under the title "Comprehensive Employment and Training Act" (CETA).

The basic means for attaining the Nixon Administration's goal for manpower programs was outlined by William B. Hewitt, Associate Manpower Administrator for Policy, Evaluation, and Research in the Manpower Administration:

1. To decentralize decisionmaking, insofar as is practicable, to the governmental level closest to the citizen.
2. To integrate manpower activities operating within a designated program area into a unified manpower service delivery system.
3. To improve the ability of local manpower program operators to match services to client needs.[2]

Steps That Facilitated Decentralization of Manpower Services

The initial groundwork had been laid for the transition of manpower programs from the federal to the state and local governments during the Johnson

2. "Manpower Revenue Sharing – The Administration's Outlook," *Good Government*, Vol. 90, No. 3 (Fall 1973), p. 1.

Administration. In March 1967 the Cooperative Area Manpower Planning System (CAMPS) was established. CAMPS was an attempt to meet the need for joint governmental action in providing manpower services. The ultimate goal of the program was to develop comprehensive and coordinated manpower plans for various geographical areas. Joint governmental action meant not only horizontal cooperation between federal departments and agencies but also vertical cooperation between the federal government and state and local governments and agencies which had an interest in manpower policy. Local planning groups attempted to identify manpower needs and resources and to develop plans which would make optimal use of available resources.

CAMPS brought together, for the first time on an organized basis, the various local, state, and federal agencies involved in manpower development. This program gave many persons at the state and local level experience in manpower planning, and this experience turned out to be a great asset as the manpower delivery system was decentralized in the 1970's. CAMPS became an advisory unit to mayors and governors and has since become the core of the advisory councils in the CETA program.

Another project, launched in 1970, which helped in the eventual decentralization of manpower services was the federal funding of manpower planning positions on the staffs of elected state and local officials. This project provided assistance for the education and training of manpower administrative personnel. By the end of fiscal year 1973, over 1,200 of these positions had been created.

In early 1973, the federal government began to channel monies to cities and counties in the form of manpower planning grants. These funds were to be used for several purposes:

1. Inventorying ongoing programs.
2. Establishing relationships with local CAMPS.
3. Exploring consortium possibilities.
4. Studying local manpower needs.

By this time the federal government's attempts, both financial and nonfinancial, to prepare the nation for manpower decentralization had greatly strengthened manpower planning in many areas of the country. Manpower personnel had gained valuable experience in the area of program development, analysis, evaluation, and administration.

The final step that was taken by the Nixon Administration in preparation for revenue sharing was the pilot decentralization program funded in mid-1973—Comprehensive Manpower Programs (CMP). Three states, one county,

and five cities or consortia of local governments were selected to sponsor the pilots. The administrators of these CMP projects were given authority over monies appropriated from MDTA and OEO (Office of Economic Opportunity) funds. These demonstration projects provided important feedback to federal manpower program planners in pointing out the problems that were created and the types of federal assistance that were needed.

Two other previously discussed federal programs indirectly helped to pave the way for decentralization and decategorization: the Concentrated Employment Program (CEP) and the Public Employment Program (PEP). The basic purpose of CEP, as outlined in chapter III, was to pull together under a single prime sponsor the various categorical programs that were being administered at the local level by multiple-service agencies. This concept, which later became the key to CETA, was started in 1967. PEP, which started in 1971, was indirectly beneficial to the implementation of a decentralized manpower program by training manpower personnel in the public sector who later became a primary source of qualified personnel for prime sponsors under the Comprehensive Employment and Training Act.

All these steps facilitated the shifting of major responsibility for planning and administering manpower programs from the federal government to state and local prime sponsors in the CETA program. The basic federal manpower objectives that were developed in the Johnson era—to provide job training, education, work experience, and supporting services to the economically disadvantaged, the unemployed, the underemployed, and specific disadvantaged groups—were not changed in this shifting of responsibility. The method of meeting these objectives was changed. The *1974 Manpower Report of the President* stated that the nation was moving into the second phase of manpower program involvement, "one that is marked by the attempt to make manpower programs truly responsive to the problems of those they are intended to serve."[3]

Decentralization

The transition of authority for manpower development and training from the federal government to the state and local governments means that the latter are presently, within the limits of the law, responsible for designing, implementing, and, to some extent, evaluating manpower programs. This decentralized approach, which took effect in fiscal year 1974, gives to eligible local governments and to state governments the authority to determine man-

3. *Manpower Report of the President, 1974*, p. 65.

power policy; to develop and operate programs; and to delegate some or all of their authority to other public or private organizations. These lower levels of government, which have been delegated this authority, are known as *prime sponsors.*

There were 403 prime sponsors initially approved by the Manpower Administration: 67 cities, 147 counties, 49 states and territories, 4 rural Comprehensive Employment Programs, and 136 consortia. A consortium is a grouping of two or more local jurisdictions acting as a single prime sponsor. Through the cooperative efforts of local jurisdictions within one labor market areawide labor problems can be dealt with effectively and economies of scale can be realized.

The federal government has provided incentives for local jurisdictions to cooperate with each other. Federal incentive funds have been given to a consortium provided: (1) it included at least 75 percent of a particular labor market; (2) it proved that the grouping of jurisdictions will make possible programmatic advantages; and (3) each local government in the consortium assured the Department of Labor that it will retain individual responsibility, thereby ensuring a system of accountability.[4]

Whatever the arrangement, once authority had been established at the local level of government, public officials were made accountable for program planning and administration. But since American elections have not been reflective of specific issues, public accountability was to some extent diminished. Therefore, CETA regulations were necessary to ensure an acceptable degree of accountability. These regulations called for the establishment of an advisory council and the publication of manpower plans in the local press.

The advisory council requirement was included in the federal regulations in order to assure that the public interest (in the sense of a synthesis of group interests) would guide program planning. The makeup and duties of the councils were outlined rather extensively in the CETA regulations. These regulations require "meaningful participation." This means that the council must include representatives from business, labor, community-based organizations which have demonstrated effectiveness in manpower program planning and implementation, and program clientele. These requirements, however, do not state how many seats (or what percentage) must be given to each group; therefore, localities are not in actuality required to maintain representative community participation in their program planning.

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4. "Rejection of Individualized Service May be Result of CETA Experience," *Manpower Information Services,* Vol. 5, No. 10 (January 30, 1974), p. 184.

The planning process is the most critical aspect in developing programs that can effectively and efficiently meet the manpower needs of specific labor markets and political jurisdictions. The manpower planner must have a complete understanding of the labor market in which he is working, as well as of the particular problems of various resident groups, in order to foresee opportunities and design a program mix that will deal with the specific needs of the area. Even when a planner has considerable understanding of the problems and the means for ameliorating them, he is often not able to develop and implement optimal plans because of political realities. In other words, the planner must be able to provide plans to public officials and the advisory council which are comprehensive and sound in context and also politically feasible.

While there are many positive reasons in favor of a decentralized manpower system, there are critics who believe that there are too many negative factors to make decentralization an altogether attractive approach. One viewpoint is that state and local governments are no more efficient than the federal government and that the additional administrative layers are bound to result in higher administrative costs and less funds for program clientele.

A second point raised is that because state and local governments are more politically oriented, rational planning is usually very difficult. Another reason given is that local governments have traditionally been less interested in helping minorities.[5] Still another is the fact that many officials, advisory councils, and planners lack sufficient experience in this line of work to design an effective and efficient program. A final argument is that the local governments are unable to deal with employment problems which are federal by nature and that, by releasing so much control to the states and localities, the federal government cannot maintain national manpower policy.

The Federal Role Under the Comprehensive Employment and Training Act

It is necessary to emphasize that there are certain strings attached to the manpower revenue-sharing program. Robert Guttman, a specialist in social legislation for the Congressional Research Service, has stated that President

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5. David O'Neill, *Special Revenue Sharing for Manpower Planning and Employment Program* (Washington, D.C.: American Enterprise Institute for Public Policy Research, 1971), p. 12.

Nixon distinguished special revenue sharing from bloc grants by three characteristics:

1. No requirement for matching funds.
2. No need for federal approval before funding.
3. No requirements for maintenance of efforts.[6]

CETA meets the first characteristic, but it does not meet the second and the third. The federal government still retains funding approval and conducts limited monitoring efforts.

The Manpower Administration must review and approve all grant applications for CETA funding, and it has established criteria for this purpose. Many of the initial plans submitted were returned to the prime sponsors because certain program requirements were not met. These deficiencies were generally:

1. Lack of affirmative action measures.
2. Too much generalization about target population groups.
3. Not enough information regarding the participation of community-based groups.[7]

The Manpower Administration has also maintained close review of the service delivery systems that have been developed by the local prime sponsors to make certain that all local resources are included before final plans are approved.

In addition to the close scrutiny of local manpower planning, the Manpower Administration has responsibility for monitoring overhead and administrative costs, for reviewing program results, and, most importantly, for long-term evaluation. It is evident that strong federal regulation of the new program is not only possible but also operational. The review process and the information system provide the federal administrators with information about each prime sponsor's programs. Since federal administrators have been given the authority to disapprove plans, they are able to guide and control the entire program.

In a keynote address before the National Manpower Policy Task Force Conference in late 1974, William H. Kolberg, Assistant Secretary of Labor for Manpower, stated that "the Federal Government must have the ability to

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6. "Intergovernmental Relations Under the New Manpower Act," *Monthly Labor Review*, Vol. 97, No. 6 (June 1974), p. 4.

7. "Manpower Planning Key to Success in 'CETA' Decentralized Future," *Manpower Information Services*, Vol. 5, No. 24 (August 14, 1974), p. 522.

keep hands off and let the planning process and the operating process essentially go on as a regular part of state and local government, without a lot of hovering, without excessive oversight." He went on to say that the furnishing of effective technical assistance is the critical role of the Manpower Administration staff. He stated further that "this assistance to prime sponsors in planning, program design, and the delivery of services" will affect "the degree to which the Manpower Administration can influence a program's effectiveness in meeting the needs of CETA clients."

It is obvious that strong central control techniques have to be used during the early years of the program to assure that money is being utilized in an optimal way by all prime sponsors. It is impossible to predict how much federal control will be exerted after the first several years of program implementation, but it is certain that under existing legislation the Manpower Administration has the ability to provide strong guidance to manpower program development and implementation.

Decategorization

The proliferation of manpower programs during the 1960's has been reviewed and analyzed. It was administratively difficult to maintain such a network of programs at the federal level. The system created an overlapping of programs at the local level. Organizations provided similar services and competed for the same clientele. In addition, the network of federal programs, with their varied eligibility requirements, was not always attuned to the particular needs of a certain labor market, and the needs of many individuals who required special assistance were not being met.

The new decategorization of manpower funds meant that federal appropriations were no longer earmarked for specific programs and that the prime sponsors could determine what programs to fund after they determined the needs of the target population. The Manpower Administration had expected that many of the first-year CETA programs would be substantially the same programs that had been funded by the localities during the year prior to initial CETA funding because the local advisory councils and officials had only a couple of months to organize and plan. Those areas that had previously established planning councils and employed staff planners possessed capabilities for making some quick changes. However, those areas that were experiencing manpower planning for the first time had difficulty in doing much more than organizing themselves and applying for funding on the basis of historical information.

The Manpower Administration did expect that the localities would develop new mixes of programs for the second year of funding. However, a substan-

tial number of plans that were submitted for the second year of program funding were not significantly different from the program mixes that the localities had in the prior year's plans and during the years preceding CETA. This was quite alarming to Manpower Administration officials because much of the success of CETA depended on the planning process. If these local planning groups retained their manpower programs, delivery systems, and service packages from the pre-CETA period, the whole purpose of shifting authority and responsibility to local governments would be defeated. Although it could be assumed that some programs would be retained by prime sponsors and that some organizations which had previously administered programs would remain a part of the delivery system, the idea of decentralization was that localities would develop and implement new program mixes. If changes were not being made, then the delivery system was not being improved.

A lack of decategorization and the inability to produce change made it impossible for the pilot Comprehensive Manpower Programs to develop the concept of unified manpower service centers. Some of the important reasons for maintaining the status quo in the CMP's, as well as in CETA, appear to be:

1. Legislative restraints.
2. Local political problems.
3. Well-established social organizations seldom change or go out of business.

Because of the categorical approach to the provision of manpower programs and supportive services in the past, there has been a lack of coordination among agencies within a specific delivery system. The agencies are often separated from one another by geographic location, by different operating guidelines, and by different goals and objectives.

The goal of the unified manpower system is to place all client services under one roof. Integration of services is the ultimate attempt to deal with the total needs of each individual. The purpose of manpower service centers is to recognize the importance of the whole individual and the entire scope of his problem. It appears, however, that such a desirable goal might be difficult to attain at this time.

Basic Information About the Comprehensive Employment and Training Act

The Comprehensive Employment and Training Act is divided into six titles, each having specific purposes. Basic information about each title is outlined below.

Title I. Comprehensive Manpower Services. About two-thirds of CETA funding during the first fiscal year (1974) went for comprehensive manpower services, which included: funds for particular types of programs, such as institutional or on-the-job training; funds for specific programs, such as Neighborhood Youth Corps and Operation Mainstream; funds for supportive services, such as counseling, placement, remedial education, and medical; and funds for community-based organizations, such as Opportunities Industrialization Centers (OIC) and the Service, Employment, and Redevelopment Program (SER). Eighty percent of all Title I funds went to prime sponsors for the establishment of manpower assistance programs. Another 5 percent was set aside to encourage the establishment of consortia. The state governments received 9 percent, of which 5 percent was for vocational education and 4 percent for special state manpower activities such as model programs for offenders. The remaining funds were used at the discretion of the Secretary of Labor.

In the November 1974 issue of the Department of Labor's *Manpower* journal, William H. Kolberg released statistics on the first-year allocation of funds by prime sponsors for manpower assistance programs, using a sample of 65 percent of Title I plans.[8] He listed the percentages spent on each type of program or service as follows:

Program or Service	*Percent*
Total	**100**
Classroom training	31
Work experience	37
On-the-job training	15
Public service jobs	5
Supportive services	11
Other	1

Since Title I funds may be used for public service jobs, many critics of the Act feared that too much funding would be allocated for job creation in the public sector and too little for training and education. The present high unemployment rate does provide impetus to make job creation in the public sector a higher priority for prime sponsors. However, only 5 percent of the Title I funds were spent on public service jobs during the initial year of funding.

8. "CETA Progress Report," *Manpower*, Vol. 6, No. 11 (November 1974), p. 10.

Title II. Public Employment. In order to receive Title II funds, a prime sponsor must have a community unemployment rate of at least 6.5 percent for three consecutive months. These funds are available to support transitional employment to unemployed or underemployed individuals in jobs providing needed public services. A problem that has developed is that local governments are in no position to make guarantees of permanent employment when transitional employment ends.

Funds available under Title II can also be used for other manpower programs or services authorized under Title I or Title III.

Title III. Special Federal Responsibilities. Some of the groups that have been identified by the Act to receive special assistance were discussed in the section on decategorization in this chapter. These target groups include ex-offenders, older workers, American Indians, migrant and seasonal farm workers, and veterans. The Act also provides funding for the evaluation component and for federally supervised research, experimental, and demonstration programs.

Title IV. Job Corps. The continuation of the Job Corps program under federal supervision is funded by this title.

Title V. National Commission for Manpower Policy. This title establishes a 17-member commission which is responsible for studying and evaluating manpower programs, examining national manpower issues, and advising the Secretary of Labor on manpower issues.

Title VI. General Provisions. Funding for an emergency public employment program, created by the Emergency Jobs and Unemployment Assistance Act, is included in this title. Congress appropriated $875 million for this employment program in fiscal 1974. Title VI also sets forth such things as conditions governing work and training, prohibitions against discrimination and political activities, criminal provisions, and required reports.

Several categorical manpower programs are still being funded under Titles III and IV of CETA. These categorical programs have been retained to deal with unusual problems which are regional in nature, or to serve specific target groups which the federal government feels need special attention. These programs include WIN, JOBS, Job Corps, Vocational Rehabilitation, Youth Conservation Corps, the Apprenticeship Outreach Program, and programs for veterans, ex-offenders, and seasonal and migrant workers.

The WIN program for AFDC families is a categorical program because of the target clientele that has been identified by the Social Security Act amend-

ments. Since AFDC recipients are an important beneficiary of manpower training and services, there is an obvious need for coordination between the WIN program and other manpower programs. Prime sponsors are being encouraged by federal and regional administrators to provide this coordination.

The JOBS program is now going through a period of uncertainty. Although the federal government was committed to support the National Alliance of Businessmen which develops JOBS contracts, no funds were set aside at the national level during the initial program year; therefore, funding had to come from prime sponsors. Federal administrators and state prime sponsors put pressures on localities to commit themselves to funding JOBS programs. During the second year of CETA's operation, $17 million was budgeted in Title III for on-the-job training in the JOBS program.

The funds for the Job Corps are a part of CETA appropriations. This program is to be integrated increasingly with the newly decentralized system by the policy of assigning recruits to centers as near to their residences as possible. However, as long as a significant proportion of the clientele that a center is servicing comes from areas outside any single prime sponsor's jurisdiction, federal direction and funding will be necessary.

Vocational Rehabilitation is a firmly established manpower program. Its clients need special types of assistance which can only be met by the already established organizations.

The Youth Conservation Corps program, which has been operated on a pilot basis under federal jurisdiction for the past three years, was approved by Congress in early 1975. This project, for which Congress earmarked $60 million for fiscal year 1975, provided summer employment for youths between the ages of 15 and 18 on public land conservation projects.

The Apprenticeship Outreach Program assists minority group members who want to become indentured apprentices in the organized building and construction trades or other skilled occupations. This program, which was initially funded in 1967, has placed 40,000 individuals in well-paid positions.

The other categorical programs mentioned are aimed at four target groups which officials feel need special attention that might not be totally available through local prime sponsors. Veterans and offenders are two groups of particular interest. Unfortunately, many local governments as prime sponsors might not feel the necessity, or even the desirability, of assisting these individuals. Seasonal and migrant workers who often do not have permanent homes also require assistance, but local groups will not be interested in assisting such transients.

The Changing Federal Role

As noted earlier in this chapter, the federal role in the present manpower system includes these responsibilities:

1. To review and approve prime sponsors' comprehensive manpower program plans.
2. To monitor the activities of prime sponsors.
3. To evaluate the effectiveness of prime sponsors and to compare program results with goals and objectives.
4. To provide technical assistance.
5. To address manpower issues that are national in scope.
6. To address national problems that require immediate solution.

Upon analysis of this list it becomes clearly evident that the federal government still retains the capacity to be the dominant force in manpower direction and to emphasize national manpower objectives if it so desires.

The national objectives that have evolved throughout the years of federal involvement in manpower program development and implementation can be stated generally as:

1. To maintain full employment.
2. To develop our human resources and to prepare our people for a rewarding worklife.
3. To make certain that adequate supplies of labor are available in all industries.
4. To attain social and economic goals.

If these national objectives are to be met under CETA, the federal government must be strongly involved in and provide direction to manpower program development and implementation at the local level. It was the intent of Congress, when final legislation was drafted, to retain leadership at the federal level to assure that national priorities were being considered and that the economically disadvantaged groups were beneficiaries of federal manpower dollars. However, the extent to which the Department of Labor uses the regulations to provide direction to prime sponsors in making certain that federal interests are being considered can only be analyzed and measured with time as experience with the program continues to build.

VII. A NEW MANPOWER CHALLENGE: MASSIVE UNEMPLOYMENT

The manpower policies of the United States are too limited to deal with the unemployment problems that have been created by the recent business recession, the deepest one since the Great Depression. And economic indicators show that the United States is likely to experience a high level of unemployment for several more years.

For 11 years, beginning in 1964, manpower policies have focused upon upgrading the disadvantaged unemployed and young entry workers through education, training, and work experience. With the decline of the economy in the 1970's, manpower policies placed increased emphasis on public service employment. During the period 1969–1973, with national unemployment rates ranging from a maximum of 6.4 percent to a low of 3.4 percent, manpower program administrators were moderately successful with the placement and upgrading of program enrollees. In 1975, however, with unemployment rates of 8 and 9 percent, opportunities for placing program enrollees in either private or public service employment have almost vanished. Youth unemployment, which has always been high, has been increasing. The rate for all members of the labor force under 20 years of age has been about 25 percent; for blacks and other minorities it has been fluctuating between 35 and 45 percent.

Now many longtime members of the work force, in addition to the disadvantaged, the hard-to-employ, and young entrants, need governmental assistance to help them maintain themselves and their families until the economy improves. With unemployment insurance benefits (even when extended to 65 weeks) coming to an end for many of those workers laid off during the recession, there is an urgent need for jobs to prevent the retreat of the workers and their families into the welfare system. There is also a need to take pressure off the unemployment insurance system which has been taxed heavily by the large number of benefit recipients created by the recession.

Employment growth in state and local government has been greatly curtailed. Private industry, which is now slowly absorbing some of its previous layoffs, is able to provide only a small number of new job opportunities. Whenever the economy improves enough to increase employment significantly, private industry's priority in hiring will go to former employees, especially those drawing unemployment insurance benefits, who are entitled to recall as jobs develop. The experienced unemployed will be the next priority. Therefore, the disadvantaged and youths with limited working experience,

as well as the long-term unemployed, will have extreme difficulty in finding employment.

Congress has recognized this rapidly developing crisis. Pronouncements have been made and bills have been introduced, some of which sketch the dimensions of a work program designed to provide jobs for all of the unemployed who want to work. This final chapter briefly treats the present situation and outlines some of the factors that should be considered in planning a national employment program to be implemented during a period when unemployment is well over 6 percent.

Unemployment Insurance

The federal-state program of unemployment insurance has been the first line of defense against unemployment since January 1938, when that Social Security program began operating. Since those early days the coverage of the system has been extended to ever-larger proportions of the labor force, the weekly benefits have been increased, and the maximum regular duration has been lengthened from 16 to 26 weeks. Further extensions to a maximum of 39 weeks were enacted by Congress for recession periods.

Further changes were made at the end of 1974 and in 1975 during the recent business recession. Congress enacted legislation temporarily extending the maximum duration from 39 to 52 weeks, and then to 65 weeks. Congress also provided temporary unemployment assistance for certain classes of noncovered workers.

As indicated by the following table, changes in the composition of the insured unemployed between February and September 1975 dramatically portray the effect of the recent recession. The total number of insured unemployed declined from 6.0 million to 5.2 million in seven months, but the significance of the comparison lies in the lengthened duration. The short-term unemployed—those covered by state programs for 26 weeks—declined by 2.0 million, from 5.1 to 3.1 million. But about three-fifths of that decline was offset by the rise in extended and supplemental benefits awarded to those who exhausted benefits in the state programs. The number on regular extended benefits more than doubled to nearly 1.0 million; the federal supplemental benefits more than tripled. The improvement in the economy during 1975 has put some of the unemployed back to work, but the seasonal layoffs in January-February 1976 will increase the numbers again.

Category	February 1975	September 1975
Total	**6,019,000**	**5,228,000**
State programs	5,108,000	3,111,000
Regular extended benefits	458,000	998,000
Federal supplemental benefits for exhaustees	284,000	943,000
Ex-servicemen	95,000	103,000
Federal employees	47,000	43,000
Railroad employees	27,000	30,000

Source: Monthly Labor Review and U.S. Department of Labor.

Note: This table does not include (a) the private-industry supplemental benefits negotiated by labor and management or (b) unemployment assistance for the noncovered workers—137,000 in February and 367,000 in September.

The rehiring of the long-term and disadvantaged unemployed will be slow. The currently employed are staying on the job, so turnover is low. The short-term (including seasonal) unemployed are being called back or rehired, while the long-term unemployed constitute a problem that is becoming serious. The need for a new and different work program to meet this problem has become critical. (The data used here are not seasonally adjusted.)

Another significant development with respect to unemployment has been the rise in the uninsured unemployed—mostly new jobseekers without work experience, or those without a sufficient work record to qualify for benefits, as well as individuals who have exhausted all their benefits. While total unemployment increased by 300,000 from February to September 1975, those not drawing benefits increased by 800,000, not counting any who dropped out of the labor market because of their inability to find jobs.

Unemployment insurance benefits, even though supplemented and/or extended, do not continue indefinitely. The worker who is out of a job long enough will eventually run out of benefits. A program that would prolong benefits indefinitely (assuming that such a policy were to be adopted) would have two serious consequences. First, it would slow down the economy by maintaining an unnecessarily high proportion of the labor force out of productive employment; and second, it would risk a loss in skills, which might make the workers unemployable when they try to return to the work force.

In constructing a new and more extensive work program, the planners must first reexamine the scope and duration of unemployment insurance

benefits. In the 1930's the decision was made that workers must first exhaust their benefits (at that time only as long as 16 weeks) before they were eligible to enroll in any work project. So insured workers losing their jobs in industry or government could not jump immediately into a work program. A similar policy may need to be adopted now if any large-scale work program is again implemented.

Public Service Employment in the 1970's

The Public Employment Program (PEP), authorized by Congress in the 1971 Emergency Employment Act (EEA), was the first large-scale public service employment program in the United States since the Great Depression. PEP put 226,000 unemployed persons to work in public service jobs during fiscal 1972. By the end of fiscal 1973, $1.56 billion of the $2.25 billion authorized for the two-year program had been expended. During that period, public service employment expenditures exceeded the funding for work experience programs.

This shift in manpower policy emphasis toward public jobs for the unemployed derived its justification from three important factors: first, private industry was not expanding during the post-Vietnam recession and the sluggish recovery in the early 1970's; second, training and educational activities for the unemployed had not produced the degree of success that had been hoped for; and third, state and local government employment was the fastest growing sector in the economy.

Twenty years previously, in 1953, total employment in industry and government averaged 50.2 million workers for the year. Included in that total were 2.3 million federal employees and 4.3 million state and local employees. By 1969, the total number of government employees had almost doubled to 12.2 million, of whom 9.4 million were in state and local government. During the next five years to 1974, state and local government employment expanded to 11.6 million—an annual growth rate of over 400,000 jobs a year. Thus state and local government employment had multiplied more than two and one-half times in two decades. There was every reason to expect that this would constitute a potential source of many new jobs for the unemployed.

However, as soon as the PEP program was successfully launched in Washington, it began to run into difficulties in the field. The major problem was a conflict of objectives—to provide jobs for the disadvantaged unemployed and at the same time to meet high priority service needs. For the latter objective, state and local governments had their own methods of inducting new em-

ployees into their organizations. Many states and cities had long-established civil service systems through which new employees had to pass before going onto the payroll. Those systems make no provision for the employment of the disadvantaged unemployed. Local government in other communities was highly political; the disadvantaged unemployed did not have the contacts necessary to get access to government job opportunities. Furthermore, government workers in many communities were organized into unions which had a strong voice in determining what jobs the government created and filled. In one large city a project for the unemployed to clean up the city streets was proposed, but the plan fell through because the sanitary workers' union claimed exclusive jurisdiction over that type of work. Unable to pay high wages for a low-priority public service, the city lost a good opportunity to improve the quality of its environment. Conversely, the unemployed often lacked the formal educational requirements and the work experience which would qualify them for the public service jobs on a competitive basis. Any public employment program established by the federal government will have to include measures to deal with this problem of submarginal work projects.

The designers of a new or expanded work program must also realize that several important factors have begun to restrict the employment growth in state and local government. Due to rapid inflation, federal grants have not provided the funds necessary to maintain even existing levels of employment. Monumental financial problems, created by deficit spending and high rates of interest, are being faced by many American cities, and the threat of municipal bond default by several major cities has begun to spread shock waves throughout the financial markets of the world.

Whatever the long-term outlook may be, state and local governments in this winter of 1975–76 are in no position to hire substantial numbers of unemployed workers with their own resources. Under Titles II and VI of CETA, the arrangement has been for slots to be allocated to the unemployed for useful work. Title II was originally developed as a transitional employment program, with guidelines for local government to place half of the group in unsubsidized jobs at the end of the CETA funding. But local governments were slow to participate.

First, the prime sponsors did not have the federal funds to purchase materials, equipment, and supplies. Furthermore, many prime sponsors in local government were without local resources to support work projects, while they were at the same time absorbing other work project referrals. Finally, the local government agencies were finding it difficult to implement several new CETA titles under a new set of intergovernmental relations. Drastically

changed economic conditions adversely affected the pace of implementation. Most important of all, sponsors were not able to guarantee employment to enrollees when federal funds were terminated. Briefly stated, they were forced into an untenable position, laying off their own employees and phasing out unfilled jobs, while at the same time being offered federal money to place the unemployed in new public jobs.

What some local governments have been trying to do is to use federal money to rehire their own former employees. For example, the *New York Times* on August 16, 1975, reported that New York City was negotiating with the federal government to use CETA funds for the purpose of rehiring regular city employees who had just been laid off. To quote: "Of the total, 549 jobs represent jobs not previously a part of the CETA program. . . . An additional 760 jobs represent positions now filled by CETA workers, who will be displaced by civil servants who had been laid off earlier." There is a provision in the June 19, 1975, print of the Committee on Education and Labor of the House that is similar to the New York City proposal: the program should give "preferred consideration to re-establishing fire-fighting and police jobs which shall be filled by persons on layoff from the same or any substantially equivalent job."

These conflicting policies will make it difficult for the federal government to deal effectively with the overall problem of unemployment. Local financial problems will limit local contributions to reemployment projects designed to result in regular government jobs.

Dimensions of a Government Work Program

The United States economy, in this winter of 1975–76, is experiencing the twin problems of unemployment and inflation. During the history of the business cycle these two trends have usually been inverse. When business boomed, unemployment was low and prices began to rise. When the downturn came, prices weakened, business was slack, and unemployment increased.

But the normal business cycle does not operate quite that way in a nation with persistent inflation. This has been noted in some Latin American countries which have experienced prolonged inflation. The volume and rate of unemployment has fluctuated, but even at the peak of prosperity there has been substantial unemployment.

In recent years the United States has shown symptoms of this new type of cycle. The unemployment rate (not seasonally adjusted) reached a bottom at

3.4 percent of the labor force in the first five months of 1969; nearly doubled that rate in January 1972 (6.4 percent); declined to 4.2 percent in October 1973; and rose to 9.1 percent in June 1975.[1] The low unemployment rates experienced during the business peaks of the 1960's will not be repeated during the next prosperity period.

The immediate problem is that the nation is facing a winter threatening the highest rate of unemployment since 1940–41. The current situation is accentuated by two important factors: (1) a marked increase in the duration of unemployment for those who have lost their jobs (as noted previously) and (2) an exceptionally heavy impact upon young people under age 20.

The total volume of unemployment not only lessens production because these millions are not turning out goods and services, but also operates to sustain consumer prices because unemployment insurance benefits are usually spent on basic necessities. And if the benefits are exhausted, the family has to fall back on the welfare system, which also stimulates consumption without any corresponding increase in production. It does not help much to extend benefits still further—that keeps the worker in continued idleness, causing him to lose skills and perhaps motivation as well.

The manpower programs of the past 15 years, including the CETA program as now structured, cannot deal adequately with this new situation. Only when the economy is operating at levels of high employment can manpower policy be focused upon programs to assist the unemployed (and the underemployed) in qualifying for regular jobs in industry and government at standard rates of pay. In such times public attention and funding can be directed toward marginal workers suffering from various kinds of handicaps, personal and social, plus youths from disadvantaged families. Furthermore, in such times there is little need for an extensive government work program.

In a longer term, deeper recession, compounded by worldwide economic developments, a special government work program large enough to employ a significant proportion of the unemployed in some kind of useful work should receive serious consideration. What factors should be considered in devising an effective and efficient program to deal with this type of unemployment problem?

Bills for such programs have already been introduced in Congress, and this issue will be of critical importance in early 1976. Supporters of these bills are attempting to make a case for a government-sponsored reemployment

1. *Employment and Earnings*, February 1974, p. 29; and July 1975, p. 19.

work program which will put a significant percentage of the unemployed to work on useful productive jobs and buy time for the private economy to develop a sound business recovery without inflation. Expansionary policies in private industry are dependent upon government policies with respect to credit, interest rates, taxes, etc., which require time to work out and to implement. The crucial questions are: (1) How long will it take private industry to supply the employment opportunities necessary to reduce unemployment to an acceptable level? (2) What kind of an emergency work program would contribute to that result?

Labor-Intensive Projects

One essential condition for an emergency employment program is that the funds available should employ as many workers as feasible. In the normal operation of construction activities labor and nonlabor costs divide about equally—half and half. So $1 billion in wages would normally require another $1 billion for materials, tools, equipment, and other capital costs.

One of the proposed bills in Congress stipulates that 85 percent of the program funds must be allocated to wage payments. Only 15 percent could be spent for materials, tools, and the wages of supervisory personnel. Under those conditions the workers would be employed on projects which are labor-intensive, in which the performance of the worker is more important than the tools with which he works.

Pay Rates

A second condition for an emergency work program would be that the jobs established under the work program would be primarily unskilled and semi-skilled—suitable to the qualifications of the unemployed who would be available for such jobs. Of course, even skilled workers unemployed for long periods might find it useful and desirable to take such jobs until something better turns up.

In any case, the rates of pay would be at the lower end of the wage scale in the economy or in the community—high enough to provide a reasonable income to the worker but not so high as to make the work unproductive.

Hours of Work

There could be a further problem in connection with unemployed workers from medium- and low-wage industries. At an average wage of $3 an hour for program enrollees, the average weekly earnings for an individual would be $120, and the monthly earnings about $520. However, in the summer of

1975 the average weekly earnings for millions of workers in retail trade amounted to $110; laundries, $106; leather products, $120; apparel, $110; and textile mill products, $130. Why should an unemployed worker from any of these industries who succeeded in getting on a reemployment project want to return to private industry? He or she would have a steady job for the duration of the project, hopefully with continuation on some other project. What is the incentive to go back to private industry from which he was once laid off—and might be again if business turns down?

The work programs in the 1930's faced this earnings problem and solved it by reducing the hours per week on work projects from 40 to 30. So, whether the worker was in an unskilled or semiskilled job in the work program, he could nearly always improve his earning capacity by obtaining a job in private industry.

Reemployment Projects

A clear distinction will have to be made between emergency labor-intensive projects designed to provide jobs for those eligible unemployed who wish to take them and the normal employment-creating activities of private industry and government. During the depression of the 1930's normal government construction programs and other governmental activities were conducted (and expanded) on the usual basis with standard rates of pay and working hours. But a firm line was drawn between such regular activities and the reemployment projects especially designed to provide work for the longtime unemployed.

In the 1930's, with unemployment rates approaching 25 percent of the labor force, there was not much of a problem on this point. Both private industry and the normal activities of government were at depression levels—specially created work for the unemployed had first priority. Little attention was paid to the long-run problem of getting the government out of the emergency work programs. As it happened, that difficult problem never had to be faced because the outbreak of World War II solved the problem. The work programs were ended in early 1942 in the midst of growing labor shortages.

Some of the proposals now being made in the Congress provide that when the unemployment rates are reduced to a certain level the emergency programs will be phased out.

An Expanded Youth Program

A special case can be made for a new youth program. No modern industrial nation has the unemployment rates for young entry workers that exist in the

United States. While the lower birth rates of recent years have reduced the potential number of new annual entrants into the labor force, the end of the war in Vietnam plus the increasing costs of a college education have reduced the number of college students and thus increased the number of 16–20 year-olds available for work. Summer and in-school work programs are useful, but they do not cover the need of those who have left school and are ready for a job. In view of the barriers which handicap them in entering the private economy, a case can be made for a government-supported work program for youths which will provide such entry workers with useful and productive employment while they are acquiring the experience and the work habits which can qualify them for jobs in the private economy or in normal government work.

The Need for Action

Manpower policy has been concentrated, as Bakke pointed out in 1969, on the fringes of the labor market—on the disadvantaged, the handicapped, the unskilled, the untrained. The goal had been to push unemployment down to the full employment level. Now the nation is experiencing an economic situation in which the unemployment rolls are heavily weighted with regular full-time workers who need another job opportunity.

This is the time for the Employment and Training Administration (the successor to the Manpower Administration) to conduct an extensive job-creating operation for those unemployed workers—while the planning agencies of government work to restore the economy. A moderate business recovery is now (December 1975) underway. But the indications are that unemployment will be unusually high for at least another year or two. The recovery would be advanced and strengthened if the lost time of the unemployed could be employed in productive work.

GLOSSARY OF ABBREVIATIONS

ABE	Adult Basic Education
ADC	Aid to Dependent Children
AFDC	Aid to Families with Dependent Children
AFL-CIO	American Federation of Labor and Congress of Industrial Organizations
ARA	Area Redevelopment Act
BLS	Bureau of Labor Statistics
CAA	Community Action Agency
CAMPS	Cooperative Area Manpower Planning System
CCC	Civilian Conservation Corps
CEP	Concentrated Employment Program
CETA	Comprehensive Employment and Training Act (or Program)
CMP	Comprehensive Manpower Programs
CWT	Community Work and Training Program
DOL	Department of Labor
DOL-HEW	Departments of Labor and Health, Education, and Welfare
EEA	Emergency Employment Act
EOA	Economic Opportunity Act
FAP	Family Assistance Plan
FERA	Federal Emergency Relief Administration
GI	GI Bill of Rights--Servicemen's Readjustment Act of 1944
HEW	Department of Health, Education, and Welfare
JOBS	Job Opportunities in the Business Sector
MDTA	Manpower Development and Training Act (or Program)
MDTA-OJT	Manpower Development and Training Act On-The-Job Training
NAB	National Alliance of Businessmen
NYC	Neighborhood Youth Corps
OAA	Old-Age Assistance
OAB	Old-Age Benefit
OASDHI	Old-Age, Survivors, Disability, and Health Insurance
OEO	Office of Economic Opportunity
OIC	Opportunities Industrialization Centers
OJT	On-The-Job Training
OMAT	Office of Manpower, Automation, and Training
PEP	Public Employment Program
PSC	Public Service Careers
SER	Service, Employment, and Redevelopment Program
WIN	Work Incentive Program
WPA	Works Progress Administration (renamed Work Projects Administration)

APPENDIX TABLE

Enrollment Opportunities, First-Time Enrollments, and Federal Obligations for Work and Training Programs Administered by the Department of Labor, by Program, Fiscal Years 1963–74

[Thousands]

Program	Total	FY 1974	FY 1973	FY 1972	FY 1971	FY 1970	FY 1969	FY 1968	FY 1967	FY 1963–66
ENROLLMENT OPPORTUNITIES										
Total	9,140.8	439.3	927.4	1,562.3	1,149.6	1,011.3	910.7	823.8	808.5	1,504.0
Manpower Development and Training Act	2,413.2	178.9	183.0	229.2	213.7	211.2	198.5	229.9	270.9	697.9
Institutional training [1]	1,532.8	108.4	116.3	138.7	144.5	147.2	120.7	131.1	126.4	499.5
JOP-OJT [2]	880.4	70.5	66.7	90.5	69.2	64.0	77.8	98.8	144.5	198.4
Neighborhood Youth Corps	5,296.8	177.3	661.3	863.0	698.9	600.0	539.7	537.7	512.8	806.1
In school	1,190.5	136.1	[illegible]	101.6	78.8	97.1	100.6	135.0	139.0	291.0
Out of school	562.3	41.2	38.7	41.6	40.1	45.4	51.9	63.6	79.5	160.3
Summer	3,644.0	(3)	511.3	[4] 719.8	[4] 580.0	[4] 457.5	[4] 387.2	[4] 339.1	294.3	354.8
Operation Mainstream	163.9	35.8	32.3	22.3	22.3	17.8	12.5	10.9	8.0	.....
Public Service Careers	111.2	(3)	(3)	21.0	42.4	34.8	5.9	2.7	4.4	.....
Special Impact [5]	6.5	.....	.....	.....	.....	.....	1.3	1.2	4.0	.....
Concentrated Employment Program [6]	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
JOBS (federally financed)	361.1	26.4	33.1	60.6	68.2	60.1	52.8	31.5	8.4	.....
Work Incentive Program	384.8	(3)	(3)	149.5	60.7	65.7	99.0	9.9	.....	.....
Job Corps	110.6	20.9	17.7	24.0	22.4	21.7	.....	.....	.....	.....
Public Employment Program	192.7	(3)	(3)	192.7	.....	.....	.....	.....	.....	.....
FIRST-TIME ENROLLMENTS [7]										
Total	11,572.3	1,917.7	1,537.7	1,973.0	1,412.5	1,051.4	1,000.7	780.8	833.3	1,065.2
Manpower Development and Training Act	2,519.1	244.2	267.1	301.6	254.8	221.0	220.0	241.0	265.0	504.4
Institutional training [1]	1,514.6	110.4	119.6	150.6	155.6	130.0	135.0	140.0	150.0	423.4
JOP-OJT [2]	1,004.5	133.8	147.5	151.0	99.2	91.0	85.0	101.0	115.0	81.0
Neighborhood Youth Corps	5,762.2	812.1	628.4	1,010.9	740.2	482.1	504.1	467.3	556.3	560.8
In school	1,294.0	163.4	165.3	186.0	120.0	46.2	74.5	93.8	161.6	202.5
Out of school	842.9	71.6	74.7	65.0	58.0	36.1.5	74.5	93.8	161.6	142.8
Summer	3,625.3	577.1	388.4	759.9	567.2		345.3	255.2	227.9	

Operation Mainstream	180.1	41.9	37.5	31.4	21.9	12.5	11.3	12.6	11.0	.....
Public Service Careers	160.1	9.6	24.6	65.9	47.3	3.6	3.8	4.3	1.0	.....
Special Impact [8]	5.3	.....	.....	.....	.....	.....	2.7	2.6	.....	.....
Concentrated Employment Program [8]	650.4	113.1	68.8	84.7	93.7	110.1	127.0	53.9	.....	.....
JOBS (federally financed)	394.1	29.2	51.5	82.8	92.6	6.8	51.2	.....	.....	.....
Work Incentive Program	997.7	353.1	238.5	120.6	112.2	7	80.6	.....	.....	.....
Job Corps	230.4	45.6	43.4	49.0	49.8	42.6	.....	.....	.....	.....
Public Employment Program	672.9	268.9	177.9	226.1	.....	.....	.....	.....	.....	.....
FEDERAL OBLIGATIONS										
Total	$14,366,600	[9] $2,143,469	$2,753,485	$2,696,940	$1,485,466	$1,418,552	$1,029,730	$802,173	$795,950	$1,240,835
Manpower Development and Training Act	3,567,775	398,462	380,812	424,553	335,752	336,580	272,616	296,418	298,247	824,335
Institutional training [1]	2,902,658	307,896	303,814	355,708	275,467	287,031	213,505	221,847	215,588	721,802
JOP-OJT [2]	665,117	90,566	76,998	68,845	60,285	49,549	59,111	74,571	82,659	102,533
Neighborhood Youth Corps	3,721,401	661,712	416,931	517,244	426,453	356,589	320,696	281,864	348,833	391,079
In school	(9)	88,570	64,063	74,897	58,652	59,242	49,048	58,908	67,448	(9)
Out of school	(9)	113,651	106,854	121,962	115,195	97,923	123,721	96,279	148,079	(9)
Summer	(9)	459,491	245,994	[10] 320,385	[10] 253,206	[10] 199,424	[10] 147,927	[10] 126,677	133,306	(9)
Operation Mainstream	490,436	114,664	81,068	85,164	71,550	51,043	41,000	22,319	23,628	.....
Public Service Careers	339,946	28,334	30,719	58,301	91,636	89,366	18,460	7,557	15,573	.....
Special Impact [8]	10,138	.....	.....	.....	.....	.....	1,100	2,038	7,000	.....
Concentrated Employment Program [8]	1,096,812	146,489	130,268	154,602	166,752	187,592	114,220	93,057	78,411	25,421
JOBS (federally financed)	848,034	64,026	72,914	118,224	169,051	148,820	160,821	89,920	24,258	.....
Work Incentive Program	886,427	250,127	208,830	174,788	64,085	78,780	100,817	9,000	.....	.....
Job Corps	874,505	149,551	192,800	202,185	160,187	169,782	.....	.....	.....	.....
Public Employment Program	[11] 2,482,142	[11] 281,120	1,239,143	961,879	.....	.....	.....	.....	.....	.....

[1] Includes part-time and other training.

[2] Includes the JOBS-Optional Program (JOP), which began in fiscal 1971, and the MDTA on-the-job training (OJT) program, which ended in fiscal 1970 except for national contracts. Also includes Construction Outreach.

[3] Not available.

[4] Includes enrollment opportunities made available by MDTA supplemental funds; these were 307,900 in fiscal 1972, 145,000 in fiscal 1971, 64,500 in fiscal 1970, 36,200 in fiscal 1969, and 49,100 in fiscal 1968.

[5] Transferred to the Office of Economic Opportunity effective July 1, 1969.

[6] Data for fiscal 1974 and the total for the Comprehensive Manpower Program (CMP) are included with CEP: 43,000 first-time enrollments and $36,775,452 in allocations. Enrollment opportunities (slots) are not meaningful for CEP or CMP because the CEP and CMP approaches utilize a variety of program components—orientation, basic education, work experience, and other types of job training. An individual may be enrolled in one or in several components.

[7] The number of first-time enrollments per fiscal year is generally larger than the number of enrollment opportunities (slots) programed, as a slot may be used by more than one individual during the year because of turnover or short-term training. If openings are unfilled, the number of first-time enrollments may be smaller than the number of enrollment opportunities.

[8] Includes $39,127,612 obligated for the Migrants Program and $10 million for title IX, National Older Workers Program, which are not shown separately.

[9] Data are not available for NYC components prior to fiscal 1967.

[10] Includes obligations made available by MDTA supplemental funds; these were $130,238,500 in fiscal 1972, $83,296,000 in fiscal 1971, $26,367,800 in fiscal 1970, $7,446,000 in fiscal 1969, and $12,881,000 in fiscal 1968.

[11] Includes $44,010,000 allocated under title II and $237,110,000 under title III-A of the Comprehensive Employment and Training Act of 1973.

Source: 1975 Manpower Report of the President.

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